

In The Matter Of:

*R.J. REYNOLDS TOBACCO COMPANY
MATTER NO. D09285*

JERRY R. MOORE

June 4, 1998

*For The Record, Inc.
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52189 5136

Page 126

Page 127

[1] FEDERAL TRADE COMMISSION

[2] INDEX

[3]

WITNESS:

EXAMINATION:

[4]

Jerry R. Moore

Ms. Samuels 131

[5]

(Volume II)

Mr. Williams 226

[6]

[7] EXHIBITS

FOR ID

DESCRIPTION

[8]

No. 2 133

Page entitled Younger

[9]

Adult Smoker File

1980 w/attached

[10]

7/18/80 letter

[11]

No. 3 150

9/11/80 memo re:

Younger Adult

[12]

Smokers --

Terminology

[13]

No. 4 156

9/22/80 memo re:

[14]

Influence of Young

Adult Smokers On

[15]

Successful New Brand

Entries

[16]

No. 5 159

3/30/84 memo re:

[17]

Younger Adult

Smoker Report

[18]

No. 6 163

Summary of Decisions

[19]

Made In MRD-Esty

Meeting on April 7,

[20]

1971, Concerning

Spring 1971 NFO

[21]

Tobacco Products

Survey

[22]

No. 7 174

2/21/80 memo re:

[23]

Differences Between

Gallup Poll Estimates

[24]

And HEW Estimates of

Teenage Smoking

[25]

Incidence

[1] EXHIBITS

FOR ID

DESCRIPTION

[2]

No. 8

179 Memo re:

[3]

Teenage Smokers

(14-17) And New Adult

[4]

Smokers And Quitters

[5] No. 9

186 7/22/80 memo re:

MDD Report on

[6]

Teenage Smokers

(14-17)

[7]

No. 10

188 7/31/80 memo re:

[8]

Addendum for Report

Teenage Smokers

[9]

(14-17) And New Adult

Smokers and Quitters

[10]

No. 11

190 10/29/80 memo re:

[11]

Teenage Smokers

(14-17) And New Adult

[12]

Smokers and Quitters

[13] No. 12

192 7/9/82 memo re:

Rationale For Slower

Industry Growth

[14]

After Increase In

F.E.T.

[15]

[16] No. 13

193 9/27/80 memo re:

NBER Models Of Price

[17]

Sensitivity By

Age/Sex

[18]

No. 14

199 Agemx Model of YAS

[19]

Impact On SOM

[20] No. 15

204 Younger Adult Smoker

Analysis

[21]

No. 16

209 Key Performance

[22]

Issues In 1990

[23] No. 17

219 Strategic Overview

Of YAS

[24]

[25]

Page 128

(1) EXHIBITS FOR ID DESCRIPTION
(2)
(3) No. 18 223 10-Year Forecast
(4) 1975-1985
(5) Trends in Cigarette
(6) Smoking Behavior
(7)
(8)
(9)
(10)
(11)
(12)
(13)
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(15)
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Page 129

(1) FEDERAL TRADE COMMISSION
(2)
(3) In the Matter of:
(4) R. J. Reynolds Tobacco Co.,
(5) a corporation.) Matter No. D09285
(6)
(7) Thursday, June 4, 1998
(8)
(9) Attestable Carlyle Sandridge & Rice
(10) 200 West Second Street
(11) Winston-Salem, NC 27102
(12)
(13) The above-entitled matter came on for
(14) administrative deposition, pursuant to notice, at
(15) 8:00 a.m.
(16)
(17) APPEARANCES:
(18)
(19) ON BEHALF OF THE FEDERAL TRADE COMMISSION:
(20) DAVID P. FRANKEL, Attorney
(21) JILL E. SAMUELS, Attorney
(22) Federal Trade Commission
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(24) Washington, D.C. 20580-0000
(25) (202) 325-2812

Page 130

(1) ON BEHALF OF R. J. REYNOLDS:
(2) JOHN S. WILLIAMS, Attorney
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(6) (202) 342-8400
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Page 131

PROCEEDINGS

(1)
(2)
(3) Whereupon —
(4) JERRY R. MOORE,
(5) having been previously duly sworn, was examined and
(6) testified further as follows:
(7) MS. SAMUELS: Good morning, again,
(8) Mr. Moore.
(9) MR. WILLIAMS: He knows he's still under
(10) oath.
(11) MS. SAMUELS: Of course you know that you
(12) are still under oath and the instructions we talked
(13) about yesterday, still apply.
(14) MR. WILLIAMS: If he didn't know he was
(15) under oath, you should probably ask him if he's
(16) taken any of those drugs you've been asking about.
(17) EXAMINATION
(18) BY MS. SAMUELS:
(19) Q: Okay. Does Reynolds still use NFOs as a
(20) source of data?
(21) A: No, they don't.
(22) Q: When did they stop?
(23) A: I don't remember exactly, but I believe that
(24) Tracker has been in place for maybe ten years or so,
(25) so it had to be sometime, you know — sometime

Page 132

Page 134

(1) before that.
(2) Q: So the Tracker system was a substitute for
(3) NFO?
(4) A: A replacement.
(5) Q: A replacement. And Tracker was implemented
(6) in approximately 1988?
(7) A: I believe so. I think it's been around -
(8) about ten years.
(9) Q: Was there an immediate transition from NFO
(10) to Tracker?
(11) A: Uh-huh.
(12) MR. WILLIAMS: You've got to say yes, no, I
(13) don't know -
(14) THE WITNESS: Yes, I believe so.
(15) BY MS. SAMUELS:
(16) Q: In the ordinary course of business, does the
(17) legal department review the marketing research
(18) department's work?
(19) MR. WILLIAMS: Object. Can I have the
(20) relevance? May I have the relevance of this, since
(21) you seem to be getting into legal work product?
(22) Well, if you can't give me the relevance,
(23) I'll instruct him not to answer.
(24) BY MS. SAMUELS:
(25) Q: Mr. Moore, will you answer the question?

Page 133

Page 135

(1) MR. WILLIAMS: Well, you haven't put a
(2) question -
(3) MS. SAMUELS: The question -
(4) MR. WILLIAMS: I'm sorry. You have put a
(5) question. I apologize. If you can give me the
(6) relevance as to where we're going here, that's fine,
(7) and I'll permit him to answer. But you're now into
(8) legal work product. Do you have a basis of
(9) relevance?
(10) MS. SAMUELS: Yes.
(11) I'd like to have this marked as Moore
(12) Exhibit Number 2.
(13) (Moore Deposition Exhibit Number 2 was
(14) marked for identification.)
(15) (Document handed to witness for review.)
(16) BY MS. SAMUELS:
(17) Q: Mr. Moore, this is a document - the first
(18) page has a handwritten note on it that says "Younger
(19) Adults File 1980." It's been marked as CX-64 and it
(20) also bears the RJR number 50068 6299. It's a memo
(21) dated July 18th, 1980, from you to Mr. N.W. Glover,
(22) Mr. G.H. Long, and Mr. J.B. Stuart entitled "Teenage
(23) Smokers (14-17) And New Adult Smokers And Quitters."
(24) Have you ever seen this document before?
(25) A: Yes, I have.

(1) Q: Would you like to take a few minutes to look
(2) at it?
(3) A: Uh-huh.
(4) Q: Let me know whenever you're ready.
(5) (Witness reviews document.)
(6) A: Okay.
(7) Q: When's the last time you saw this document
(8) prior to just now?
(9) A: It would have been - it was issued July of
(10) 1980. So it would have been - probably 1980 would
(11) have been the last time I would have reviewed it.
(12) Q: Okay. What was Mr. N.W. Glover's position
(13) at that time?
(14) A: I believe Nick Glover was in the marketing
(15) department. I believe he was actually heading up
(16) the marketing department at that time.
(17) Q: And Mr. Long's position at that time?
(18) A: He would have been an executive over
(19) marketing, sales, and other areas of the company.
(20) Q: How about Mr. H.J. Lees who is cc'd at the
(21) bottom of the document?
(22) A: I believe Harry Lees was in the area of
(23) longer range planning for the company.
(24) Q: So he would have been in the market
(25) research?

(1) A: It was a separate area from marketing and
(2) marketing research. It was a strategic planning or
(3) long-range planning function for the company.
(4) Q: I'd like to direct your attention to the
(5) first paragraph of the document, the last two
(6) sentences.
(7) A: Yes.
(8) Q: And I will read them into the record. It
(9) says: (Reading)
(10) The data is a natural
(11) by-product of tracking adult
(12) smokers. No special effort is
(13) made to gather this data, and
(14) it is not to be used for
(15) marketing strategy purposes.
(16) A: Correct.
(17) Q: Did you write these two sentences?
(18) A: Yes, I did.
(19) Q: Did you draft that language yourself, or was
(20) it suggested to you by someone else associated with
(21) Reynolds?
(22) A: On this particular report, it was - it was
(23) a collaborative effort to come up with that
(24) language, myself and - and others on this copy
(25) list.

Page 136

Page 138

[1] Q: And that collaborative effort was made
[2] sometime prior to July 18th, 1980?
[3] A: Yes.
[4] Q: Do you remember how long prior to July 18th,
[5] 1980?
[6] A: Perhaps a month or two before. Let's see.
[7] I'm sorry. Let me - well, this isn't - I'm sorry.
[8] In the first paragraph, it says that this is an
[9] update on the first report on this subject. It
[10] would have been prior to even the first report that
[11] was issued on the subject.
[12] Q: Do you know when the first report was
[13] issued?
[14] A: I don't recall exactly. They were
[15] semiannual reports, I believe. So it would most
[16] likely have been about six months earlier.
[17] Q: Actually, I apologize. It says in right in
[18] the first sentence of the document, January 1980.
[19] A: That's correct.
[20] Q: Why was this language included in these
[21] reports?
[22] MR. WILLIAMS: You've got to be specific,
[23] Counsel. You've been referring now to the
[24] January 1980 report. Are you referring to the
[25] statement about how no special effort was made to

[1] THE WITNESS: I'm not aware - I'm not aware
[2] of anyone else that it went to.
[3] BY MS. SAMUELS:
[4] Q: You previously testified that it was a
[5] collaborative effort with others on the copy list.
[6] Which others?
[7] A: Specifically, I know Dick Nordine, Greg
[8] Totterdale, and myself; Jim Stuart who was the head
[9] of the research department at that time.
[10] Q: Anyone else?
[11] MR. WILLIAMS: That he recalls now, right?
[12] MS. SAMUELS: Yes.
[13] THE WITNESS: Not that I recall.
[14] BY MS. SAMUELS:
[15] Q: And is that your signature on the document
[16] above your typewritten name?
[17] A: Yes, it appears to be.
[18] Q: Okay. Are there certain types of research
[19] or reports that you've worked on over the years that
[20] are widely distributed throughout Reynolds?
[21] MR. WILLIAMS: I'm going to object. You're
[22] going to have to define "widely distributed." You
[23] can ask him who he distributes things to. But the
[24] term "widely" is vague. You're going to have to get
[25] a context - who does he distribute things to - and

Page 137

Page 139

[1] gather the data and it is not used for marketing -
[2] excuse me - and it is not to be used for marketing
[3] strategy purposes?
[4] MS. SAMUELS: Yes. I'm referring to the
[5] last two sentences in the paragraph that I read into
[6] the record previously.
[7] BY MS. SAMUELS:
[8] Q: Why was this language included in the
[9] July 18th, 1980, report - or memo? I'm sorry.
[10] A: There were two reasons. One is we did not
[11] do any research on smokers under the legal age to
[12] smoke. Obviously, 14 and 17 year olds don't fit in
[13] that category.
[14] So in order to examine this data for the
[15] long-range forecast purposes, we wanted to be
[16] absolutely clear that this was not for research
[17] purposes nor for marketing purposes, only for the
[18] forecast purposes. So it was an attempt to clarify
[19] the reason that we were - the specific purpose for
[20] this data and no other.
[21] Q: Who were you clarifying that for?
[22] A: To those that the report went to.
[23] Q: Besides the people on this list, who did the
[24] report go to?
[25] MR. WILLIAMS: Do you know?

[1] then you can draw your own conclusion whether it's
[2] widely.
[3] BY MS. SAMUELS:
[4] Q: Are there certain types of research or
[5] reports that you've worked on over the years that
[6] are distributed to everyone in the company?
[7] A: Certainly not to everyone in the company,
[8] no.
[9] Q: Are there certain types of research or
[10] reports that you've worked on over the years that
[11] are distributed beyond the marketing research
[12] department?
[13] MR. WILLIAMS: You're going to have to
[14] define - he's not necessarily going to know where
[15] things have been distributed that he worked on. You
[16] can ask him where he has distributed things.
[17] I don't know what the big deal is. I don't
[18] know what you're trying to get. Why don't you just
[19] ask him who he distributes things to.
[20] Is there anybody in particular you want to
[21] know who he distributes it to? He can tell you
[22] that.
[23] BY MS. SAMUELS:
[24] Q: Who do you distribute the research or
[25] reports that you worked on to generally?

52189 5140

Page 140

[1] MR. WILLIAMS: You're asking about his
[2] regular reporting routine?
[3] MS. SAMUELS: Yes.
[4] MR. WILLIAMS: Okay. Because we've had
[5] organizational changes, as you established
[6] yesterday, you're going to have to give him a time
[7] frame in which to answer.
[8] BY MS. SAMUELS:
[9] Q: In the time period from 1971 to 1976, when
[10] you were a statistician in marketing research, who
[11] did you distribute your research or reports to?
[12] A: Generally, those reports would be
[13] distributed primarily within - within marketing
[14] research itself. There may have been an occasion
[15] here and there that someone in marketing or sales
[16] might have been copied on some improvement in
[17] research technique. But the audience was marketing
[18] research.
[19] Q: I'm sorry. You said some kind of new
[20] research technique?
[21] A: Improvement in a research technique that
[22] they may have been interested in.
[23] Q: Do you remember any instances of that
[24] happening?
[25] A: I don't remember any specific instances.

Page 141

[1] Q: In the period from August 1977 to
[2] August 1980, when you were group quantitative
[3] research manager, who generally were your reports
[4] distributed to?
[5] A: Usually, it would depend. If it was
[6] forecast related, it would have been marketing
[7] research. It would have been - I'm talking about
[8] now the ongoing annual forecast. The routine
[9] forecasts that we did for financial purposes in the
[10] company would have been issued to internal home
[11] office marketing and sales people and manufacturing
[12] management, as well as, perhaps, some executive
[13] management of the company.
[14] Q: Anyone else?
[15] A: Financial - did I mention financial -
[16] department.
[17] Q: In the period from 1980 to 1987, when you
[18] were director of marketing science and information
[19] services, who generally were your reports
[20] distributed to?
[21] A: Again, much of that work was forecast
[22] related. And the routine, ongoing kinds of forecast
[23] in the company were issued to the same audience we
[24] just talked about.
[25] Q: Were there nonroutine forecasts -

Page 142

[1] MR. WILLIAMS: I'm sorry. The question:
[2] Were there nonroutine forecasts?
[3] I think he identified there was one
[4] yesterday.
[5] THE WITNESS: Yes.
[6] BY MS. SAMUELS:
[7] Q: Were there others?
[8] A: No.
[9] MR. WILLIAMS: I think we established that
[10] yesterday.
[11] BY MS. SAMUELS:
[12] Q: And who was that one in particular - who
[13] did you distribute that to?
[14] A: Well, there were some - obviously some
[15] organizational changes. But we were just reviewing
[16] this 1980 one, for example. This was - the people
[17] who are - it's directed to and copied were the
[18] people that it was distributed to.
[19] Q: Anyone else?
[20] A: No.
[21] Q: Were these people listed on Moore Exhibit
[22] Number 2 primarily in marketing research?
[23] MR. WILLIAMS: I'm going to object. It
[24] calls for a characterization when you say "primarily
[25] in marketing research." He's told you who everybody

Page 143

[1] on this list is and where they worked at the time.
[2] So I don't understand now going back and
[3] asking him whether these same people were primarily
[4] in marketing research. It's a vague question, given
[5] that we've already established what their positions
[6] were at the time.
[7] BY MS. SAMUELS:
[8] Q: Am I correct that five out of the six people
[9] listed on that memo, that the memo was distributed
[10] to, were in marketing research at that time?
[11] A: No, that's incorrect.
[12] Q: How many?
[13] MR. WILLIAMS: First of all, there's seven
[14] people listed including himself.
[15] MS. SAMUELS: Not including yourself.
[16] THE WITNESS: Not including me? There were
[17] three that were marketing research.
[18] BY MS. SAMUELS:
[19] Q: Besides Mr. Long, I believe, who were the
[20] other two who were not in marketing research?
[21] A: Nick Glover and Harry Lees.
[22] Q: Okay. I think we're finished with that.
[23] Mr. Moore, have you ever been asked to
[24] dispose of, throw away, or destroy any research or
[25] reports?

52189 5141

Page 144

Page 146

(1) A: No, I have not.
(2) Q: Have you ever disposed of, thrown away, or
(3) destroyed any research or reports?
(4) A: No.
(5) MR. WILLIAMS: I assume you're asking other
(6) than drafts and that sort of thing.
(7) MS. SAMUELS: No, I wasn't limiting it to
(8) drafts and that sort of thing.
(9) THE WITNESS: There may have been some
(10) drafts or whatever that may have been discarded
(11) somewhere along the way. Certainly no finished
(12) research was ever discarded.
(13) In fact, we had a policy of even sending
(14) copies of that to the - to our information center.
(15) BY MS. SAMUELS:
(16) Q: And those reports are kept on file in the
(17) information center?
(18) MR. WILLIAMS: I'm sorry, Counsel.
(19) Presently kept on file? He's not going to know
(20) that. I mean, that's been the subject of a great
(21) amount of discussion over the course of the past two
(22) years.
(23) You can ask him at the time where it was
(24) kept. But those documents have moved all around all
(25) over the country.

Page 145

(1) Are you asking presently, his knowledge
(2) presently of where all those documents are?
(3) BY MS. SAMUELS:
(4) Q: Mr. Moore, at the time you sent those
(5) documents to the information center, were they kept
(6) on file at the information center?
(7) A: They were retained by the information
(8) center, yes.
(9) Q: Do you -
(10) A: I'm not sure - you might explain what you
(11) mean "on file."
(12) Q: Could a Reynolds employee walk into the
(13) information center and find a copy of that document
(14) and read it?
(15) A: Not necessarily.
(16) Q: Why not necessarily?
(17) A: Well, in particular, the - the - for
(18) example, the report that we just looked at, the 1980
(19) report that you showed me, was not to be made
(20) available to other people to look at. It was
(21) retained in a restricted locked area of the
(22) information center, not accessible to anyone who
(23) walked in. It was not on the shelf for someone to
(24) walk in and look at.
(25) Q: Who made the determination that this

(1) document was to be kept in a restricted locked area?
(2) A: Myself and Jim Stuart, who was the head of
(3) the research department.
(4) Q: Anyone else?
(5) A: Not that I recall.
(6) Q: On what did you base that decision?
(7) A: Because this report had information on 14 to
(8) 17 year olds, and it was not to be used for any
(9) other purpose other than this long-range forecast;
(10) therefore, there was absolutely no need for anyone
(11) else other than those involved in the long-range
(12) planning to have access to that information.
(13) Q: Who had access to that locked restricted
(14) area we just talked about?
(15) A: Only the person who was the head of the
(16) information center who had instructions not to let
(17) anyone view those documents without permission from
(18) either myself or from Jim Stuart, which we would not
(19) give, except for the people that were involved in
(20) putting that forecast together.
(21) Q: Did you ever give that permission?
(22) A: No, I did not.
(23) Q: Who was the head of the information center
(24) at that time?
(25) A: I believe it was Barry Miller.

Page 147

(1) Q: Does he still work for Reynolds?
(2) A: Yes, he does.
(3) Q: In what capacity?
(4) A: He still heads the information center.
(5) There were two people there. There was also - no,
(6) I believe Barry is the correct one that was there at
(7) the time.
(8) Q: Was there another person?
(9) A: There was another person over the years,
(10) Anita Scism, but I believe Barry was in place at the
(11) time we're discussing here for this document.
(12) Q: Could you spell Ms. Scism's last name,
(13) please.
(14) A: S-C-I-S-M.
(15) Q: To your knowledge, are there any records as
(16) to who may have received access to that document?
(17) A: To my knowledge, there's not, because there
(18) was never any permissions given, to my knowledge.
(19) MR. WILLIAMS: Counsel, could we clarify
(20) which document you're referring to. I know the
(21) witness indicated something about the report we just
(22) looked at. But in - you know, Exhibit 2, does not
(23) have a particular report. It's just a cover letter.
(24) Now, I think you're referring to the report
(25) on teenager smokers 14 to 17 and new adult smokers

52189 5142

Page 148

Page 150

[1] and quitters.
[2] MS. SAMUELS: That is the report I'm
[3] referring to. It's the report referenced in Moore
[4] Exhibit Number 2.
[5] MR. WILLIAMS: Right.
[6] MS. SAMUELS: It's also CX-64.
[7] MR. WILLIAMS: Right. I understand. I just
[8] want to make it clear that that report is not in
[9] front of us only a cover letter discussing it.
[10] BY MS. SAMUELS:
[11] Q: Mr. Moore, have you ever heard of the French
[12] Camel?
[13] A: Yes.
[14] Q: When was the first time you heard of the
[15] French Camel?
[16] A: Somewhere probably in the late '80s.
[17] Q: In what context?
[18] A: I believe there was a poster of something
[19] like that used on a promotion for Camel brand.
[20] Q: Where did you see that poster?
[21] MR. WILLIAMS: I don't think he testified
[22] that he saw the poster. Did you say
[23] THE WITNESS: I don't recall seeing it. You
[24] asked me if I had heard of it. I was -- had heard
[25] of the French Camel poster that was being used as a

Page 149

[1] promotion on the Camel brand. I don't recall having
[2] seen it.
[3] BY MS. SAMUELS:
[4] Q: Did you ever conduct or supervise any
[5] research involving the French Camel?
[6] A: No, I did not.
[7] Q: When was the first time you heard of Joe
[8] Camel?
[9] A: When the --
[10] MR. WILLIAMS: Could you define what you
[11] mean by "Joe Camel." The marketing campaign or the
[12] illustrated character?
[13] MS. SAMUELS: I mean the illustrated --
[14] MR. WILLIAMS: The 75th Birthday?
[15] MS. SAMUELS: -- character.
[16] THE WITNESS: Probably the first time I saw
[17] it was when the general public saw it, when the
[18] campaign was introduced.
[19] BY MS. SAMUELS:
[20] Q: Did you ever conduct or supervise any
[21] research involving Joe Camel?
[22] A: No, I did not.
[23] Q: Did you ever review any research involving
[24] Joe Camel?
[25] A: No.

[1] Q: Did you ever consult on any research
[2] involving Joe Camel?
[3] A: No.
[4] Q: Are you aware at that time -- I'm
[5] speaking --
[6] MR. WILLIAMS: Which time?
[7] BY MS. SAMUELS:
[8] Q: I'm talking of the period from 1987 to 1988.
[9] Are you aware of any concern at Reynolds or
[10] expressed to Reynolds that Joe Camel might be
[11] attractive to kids?
[12] MR. WILLIAMS: Object. That's compound.
[13] But you can answer.
[14] THE WITNESS: No, I'm not aware -- I'm not
[15] aware of anything like that.
[16] MS. SAMUELS: I'd like to have this document
[17] marked as Moore Exhibit Number 3.
[18] (Moore Deposition Exhibit Number 3 was
[19] marked for identification.)
[20] BY MS. SAMUELS:
[21] Q: Mr. Moore, I'm handing you what has been
[22] marked as Moore Exhibit Number 3. It's a document
[23] dated September 11, 1980, from L.W. Hall, Jr., to
[24] you and several other people. And the subject is
[25] "Younger Adult Smokers -- Terminology."

Page 151

[1] Would you like to take a few minutes to
[2] review it?
[3] A: Yes, please.
[4] (Witness reviews document.)
[5] Okay.
[6] Q: Have you ever seen this document before?
[7] A: Yes, I have.
[8] Q: When was the last time prior to today --
[9] prior to just now that you saw this document?
[10] A: It would have been on the issue date, which
[11] is September 11th, 1980.
[12] Q: Do you know what Ms. Ellen Monahan's
[13] position was at that time?
[14] A: She was in marketing research. I don't know
[15] her exact position.
[16] Q: Do you know whether there was some incident
[17] that caused Mr. Hall to write this memo?
[18] A: No, I do not.
[19] Q: Do you know why he wrote this memo?
[20] A: All I would know is --
[21] MR. WILLIAMS: Do you know why he wrote the
[22] memo?
[23] THE WITNESS: No. Only what's in the memo.
[24] BY MS. SAMUELS:
[25] Q: If you look at the third paragraph of the

52189 5143

Page 152

Page 154

(1) memo, right under the section that says, "Privileged
(2) Material Redacted" - I'll read it into the record:
(3) (Reading)
(4) As an additional thought,
(5) I would also suggest that we
(6) all begin using this
(7) terminology in our oral
(8) communication, both formal and
(9) informal. By doing so, we'll
(10) develop a good habit that will
(11) reflect itself in our written
(12) communications.
(13) Did you follow his suggestion?
(14) MR. WILLIAMS: Whoa, whoa, whoa. Would you
(15) define "this terminology."
(16) MS. SAMUELS: I'm sorry?
(17) MR. WILLIAMS: Well, he makes a suggestion,
(18) use "this terminology."
(19) MS. SAMUELS: Yes.
(20) MR. WILLIAMS: All right. Have you defined
(21) what "this terminology" is?
(22) MS. SAMUELS: The terminology regarding
(23) younger adult smokers that's referred to in the
(24) subject heading of the memo.
(25) MR. WILLIAMS: Are you saying that that's

(1) THE WITNESS: I believe I was, yes.
(2) BY MS. SAMUELS:
(3) Q: Do you know whether Mr. Fackelman was?
(4) A: I do not.
(5) Q: How about Mr. Fought?
(6) A: I don't know whether anyone on the list -
(7) else on the list would or would not have been using
(8) that terminology.
(9) Q: So you don't know whether Ms. Monahan,
(10) Mr. Novak, or Mr. Osmon would have been using that
(11) terminology?
(12) A: I don't know.
(13) Q: How long prior to this memo were you using
(14) this terminology he recommends in the memo?
(15) MR. WILLIAMS: And you are assuming that the
(16) recommendation here is the use of the word "younger
(17) adult smoker." Is that the terminology we're
(18) talking about?
(19) MS. SAMUELS: I'm talking about the
(20) terminology regarding younger adult smokers.
(21) MR. WILLIAMS: I understand that. Why don't
(22) you clarify that on the record, which terminology
(23) that we're talking about that he's understanding.
(24) BY MS. SAMUELS:
(25) Q: Mr. Moore, how long prior to receiving this

Page 153

Page 155

(1) what he's referring to here?
(2) BY MS. SAMUELS:
(3) Q: At the time, Mr. Moore, that you saw this
(4) memo, did you understand him to be referring to the
(5) terminology regarding younger adult smokers that's
(6) referred to in the subject heading of the memo?
(7) A: That was my understanding.
(8) MR. WILLIAMS: All right. That's fine. Go
(9) ahead.
(10) BY MS. SAMUELS:
(11) Q: And did you follow his suggestion to begin
(12) using the terminology that he suggested?
(13) MR. WILLIAMS: Whoa, whoa. That suggests
(14) that he was not using it before. This is - this is
(15) to a broad area. Your question assumes that
(16) Mr. Moore had not used that terminology before.
(17) BY MS. SAMUELS:
(18) Q: Mr. Moore, prior to reading this memo, were
(19) you, in the ordinary course of business, using the
(20) terminology regarding younger adult smokers that
(21) Mr. Hall recommends be used in this memo?
(22) A: Could you repeat that question. I'm sorry.
(23) MS. SAMUELS: Actually, would the court
(24) reporter read it back.
(25) (Previous question read by reporter.)

(1) memo had you been using the terminology regarding
(2) younger adult smokers recommended by Mr. Hall in
(3) this memo?
(4) MR. WILLIAMS: Same objection. It's vague.
(5) You can answer the question, if you know,
(6) how long you've been using the term -
(7) THE WITNESS: I really don't know. The
(8) only - the only time that it would have been
(9) relevant to me would have been during the time
(10) period when we were working on this long-range
(11) forecast, which started - obviously, the first
(12) report issued on that, we established, was in
(13) January of 1980.
(14) So, perhaps, you know, around that time. So
(15) maybe nine months prior to this.
(16) BY MS. SAMUELS:
(17) Q: After receiving this memo from Mr. Hall, did
(18) you instruct others to use the terminology regarding
(19) younger adult smokers that he recommends in this
(20) memo?
(21) A: Yes.
(22) Q: Who?
(23) A: All of my direct reports.
(24) Q: So even though you were using this
(25) terminology regarding younger adult smokers prior to

52189 5144

Page 156

[1] that, it was only after you received this memo that
[2] you recommended to your direct reports that they use
[3] this terminology regarding younger adult smokers?

[4] A: No, I think they were already using the
[5] terminology. It was just a reminder that this is
[6] what we should continue doing.

[7] Q: Did you show any of your direct reports this
[8] memo?

[9] A: I don't recall.

[10] Q: Did you show anyone else this memo?

[11] A: I don't believe so, no.

[12] MS. SAMUELS: I'd like to have this marked
[13] as Moore Exhibit Number 3.

[14] MR. WILLIAMS: Why not try Moore Exhibit 4.

[15] MS. SAMUELS: Four. Sorry.

[16] (Moore Deposition Exhibit Number 4 was
[17] marked for identification.)

[18] BY MS. SAMUELS:

[19] Q: Mr. Moore, I'm handing you what's been
[20] marked as Moore Exhibit 4. It also bears the
[21] Reynolds Bates Number 50134 0571. It's a memo dated
[22] September 22nd, 1980, from Mr. L.W. Hall, Jr., to
[23] you. And just let me know when you're done
[24] reviewing it.

[25] (Witness reviews document.)

Page 157

[1] A: I've finished.

[2] Q: Does this memo - does this memo reflect the
[3] terminology that Mr. Hall suggested be used
[4] regarding younger adult smokers in his
[5] September 11th, 1980, memo?

[6] MR. WILLIAMS: We still haven't defined what
[7] that terminology was. So I'll object in that
[8] regard.

[9] In any event, you're asking him to interpret
[10] a document somebody else wrote. We've got vagueness
[11] upon vagueness.

[12] MS. SAMUELS: Mr. Moore?

[13] THE WITNESS: I'm really not sure what
[14] you're asking me. I mean - if you're asking me
[15] specifically does it contain the terminology
[16] "younger adult smokers" - and certainly the
[17] next-to-the-last paragraph, it does, yes. In the
[18] title it doesn't, but it - but in - but he's
[19] referring to a memo that was written prior to his, I
[20] believe, September 11th memo, which he sent out
[21] asking everyone to be consistent with their
[22] terminology.

[23] BY MS. SAMUELS:

[24] Q: To your knowledge, is there a difference
[25] between young adult smokers and younger adult

Page 158

[1] smokers?

[2] A: Well, both cases we're talking about adult
[3] smokers. I think it was - it was just a semantic
[4] difference in terms of trying to be absolutely clear
[5] that we were talking about adult smokers. Younger
[6] adult smokers to us was 18 to 24.

[7] Q: And do you recall seeing this memo around
[8] September 22nd, 1980?

[9] A: Yes. It was sent to me.

[10] MR. WILLIAMS: No. She says do you
[11] presently recall receiving it. We know it was sent
[12] to you.

[13] THE WITNESS: I recall receiving the memo.
[14] I don't know the exact date, of course. It's dated
[15] September 22nd, 1980. But I do recall receiving the
[16] memo, yes.

[17] BY MS. SAMUELS:

[18] Q: Can you think of any reason you would not
[19] have received this memo on or around September 22nd,
[20] 1980?

[21] MR. WILLIAMS: He's already said he recalls
[22] receiving it.

[23] THE WITNESS: I don't know.

[24] MR. WILLIAMS: He's not sure the exact date,
[25] but he said on or around that time he said he

Page 159

[1] received it.

[2] THE WITNESS: It would have been either that
[3] date or, perhaps, a few days later if I was out of
[4] the office or something of that nature.

[5] MS. SAMUELS: I'd like to have this marked
[6] as Moore Exhibit Number 5.

[7] (Moore Deposition Exhibit Number 5 was
[8] marked for identification.)

[9] BY MS. SAMUELS:

[10] Q: Mr. Moore, I'm handing you what's been
[11] marked as Moore Exhibit Number 5. It's also
[12] identified as CX-76 and by the Reynolds Bate
[13] Numbers 50263 5163.

[14] (Witness reviews document.)

[15] A: I've read it.

[16] Q: This is a memo from Mr. L.W. Hall, Jr., to
[17] you, Mr. E.J. Fackelman, Ms. E.N. Monahan, and
[18] Mr. J.L. Gemma, "Re: Younger Adult Smoker Report,"
[19] and it's dated March 30th, 1984.

[20] Have you ever seen this document before?

[21] A: I certainly didn't remember it until you
[22] handed it to me. But I'm on the "to" list, yes.

[23] MR. WILLIAMS: Well, the question was: Do
[24] you recall - what was the question?

[25] (Previous question read by reporter.)

52189 5145

Page 160

Page 162

(1) THE WITNESS: I don't recall seeing it.
(2) BY MS. SAMUELS:
(3) Q: You are listed on the list of people it was
(4) distributed to?
(5) A: That's correct.
(6) MR. WILLIAMS: He's not contesting that he
(7) didn't receive it. He believes he probably received
(8) it. He just doesn't recall fifteen - fourteen
(9) years later.
(10) BY MS. SAMUELS:
(11) Q: Is there any reason -
(12) MR. WILLIAMS: No. He doesn't - he
(13) believes he received it. He just doesn't recall
(14) receiving it. We're not contesting that he received
(15) it.
(16) MS. SAMUELS: I'd like to have Mr. Moore say
(17) that.
(18) MR. WILLIAMS: He did.
(19) THE WITNESS: Yeah. I was one of the ones
(20) on the list that it was addressed to, so I should
(21) have received this report, yes.
(22) MS. SAMUELS: Thank you.
(23) MR. WILLIAMS: Excuse me, should have
(24) received the letter.
(25) THE WITNESS: The letter? I'm sorry. It's

(1) Mr. Hall sent the letter? Do you know why Mr. Long
(2) emphasized on this issue? He's also said he doesn't
(3) know what report - he does not recall the Younger
(4) Adult Smoker Report.
(5) So I'm going to object as lack of foundation
(6) and it's vague.
(7) BY MS. SAMUELS:
(8) Q: Do you know why Mr. Long emphasized to
(9) Mr. Hall that distribution on this report should be
(10) tightly restricted?
(11) A: No, I don't know.
(12) Q: Were you ever instructed to tightly restrict
(13) distribution on any reports you worked on?
(14) MR. WILLIAMS: He's just testified to that.
(15) He just told you -
(16) THE WITNESS: The long-range forecast report
(17) that we produced.
(18) BY MS. SAMUELS:
(19) Q: Any others?
(20) A: No.
(21) Q: I'd also like to read the second paragraph
(22) of the document into the record. It says:
(23) (Reading)
(24) Therefore, I suggest we
(25) make no more copies, that MDD

Page 161

Page 163

(1) only a letter.
(2) BY MS. SAMUELS:
(3) Q: The memo?
(4) A: Yes.
(5) Q: What was the Younger Adult Smoker Report
(6) referred to in this memo?
(7) MR. WILLIAMS: Do you know?
(8) THE WITNESS: I don't know. It was not a -
(9) I don't believe that that was a report that I was
(10) involved with.
(11) BY MS. SAMUELS:
(12) Q: Do you know who was involved with the
(13) Younger Adult Smoker Report?
(14) A: No, I do not.
(15) Q: Was it conducted by the marketing research
(16) department?
(17) A: I don't know.
(18) Q: I will read the first sentence of the memo
(19) into the record. It says: (Reading)
(20) Mr. Long again emphasized
(21) to me that we should very
(22) tightly restrict distribution
(23) on this report.
(24) Do you know why?
(25) MR. WILLIAMS: Wait. Do you know why

(1) Group Managers and Managers
(2) with a need to know read your
(3) copies, and that Marketing
(4) Department personnel below
(5) Director level read the copies
(6) already given to the Marketing
(7) Directors.
(8) Were -
(9) A: That's what it says.
(10) Q: Were marketing directors people involved in
(11) brand marketing?
(12) A: Yes, they would have been.
(13) MS. SAMUELS: I'd like to have this document
(14) marked as Moore Exhibit Number 6.
(15) (Moore Deposition Exhibit Number 6 was
(16) marked for identification.)
(17) BY MS. SAMUELS:
(18) Q: Mr. Moore, I'm handing you what's been
(19) marked as Moore Exhibit Number 6. It is a document
(20) entitled "Summary Of Decisions Made In MRD-Esty
(21) Meeting On April 7, 1971, Concerning Spring 1971 NFO
(22) Tobacco Products Survey."
(23) The Reynolds Bates Number is 50034 7108.
(24) MR. WILLIAMS: I don't have that Bates
(25) Number. I have 500 something else. I can't - let

52189 5146

Page 164

(1) me put it this way: I can't read the Bates Number.
(2) And I also can't be sure that when you read
(3) M - you said MRD. I can't read MRD. Could be. I
(4) just can't read it. Looks like MMD.
(5) MS. SAMUELS: It isn't the greatest copy,
(6) but I'm pretty sure it's MRD.
(7) (Witness reviews document.)
(8) BY MS. SAMUELS:
(9) Q: Mr. Moore, are you familiar with a
(10) department at Reynolds that went by the letters
(11) "MRD"?
(12) A: Well, I came to Reynolds in June of 1971,
(13) and it was called the marketing research department,
(14) sometimes MRD. This document was April of 1971.
(15) So -
(16) Q: Are you aware of a department at Reynolds
(17) that ever went by the initials "MMD"?
(18) A: MMD?
(19) Q: Yes.
(20) A: Not to my knowledge.
(21) Q: Are you aware of a company called Esty,
(22) E-S-T-Y?
(23) A: I'm aware of an advertising agency called
(24) Esty.
(25) Q: And were they doing work for Reynolds at the

Page 165

(1) time you joined the company in June of 1971?
(2) MR. WILLIAMS: Do you know?
(3) THE WITNESS: I don't know.
(4) BY MS. SAMUELS:
(5) Q: In what context are you aware of Esty, the
(6) advertising agency?
(7) A: I certainly recall hearing their name over
(8) the years in terms of advertising agencies.
(9) Q: If you look at the title portion of the
(10) document which says "Summary Of Decisions Made In
(11) MRD-Esty Meeting On April 7, 1971, Concerning Spring
(12) 1971 NFO Tobacco Products Survey," what is the NFO
(13) Tobacco Products Survey?
(14) A: Well, this was prior to my joining Reynolds.
(15) I really don't know what they may have been doing at
(16) that time, because I didn't come until June, and I
(17) didn't get involved in the NFO data until quite some
(18) time later. So I'm not sure what this is referring
(19) to.
(20) Q: Have you ever heard of an NFO Tobacco
(21) Products Survey?
(22) A: No. I mean - I'm only familiar with the
(23) NFO data that we've discussed. I'd have no idea
(24) whether this is the same thing or not.
(25) Q: Did you ever have communications with anyone

Page 166

(1) at NFO during the time from June 1971 until the time
(2) Reynolds stopped using NFO data?
(3) A: Not - not business conversations, no. I
(4) think - I had met - met some of the NFO people who
(5) worked on Reynolds and NFO account, socially. But I
(6) was never responsible for that particular database
(7) or data-collection process or anything. So I had
(8) no - any correspondence, that would have gone
(9) directly from the person who was responsible for
(10) dealing with NFO, which was not me.
(11) Q: Who was that person?
(12) A: It varied over the years.
(13) Q: Do you know who that person was when you
(14) started with the company in June of 1971?
(15) A: No, I don't.
(16) Q: Do you know who any of the people at
(17) Reynolds were who were responsible for NFO data?
(18) A: There was a - during what time period?
(19) Q: The period from June 1971 until Reynolds
(20) stopped using NFO.
(21) A: Ellen Monahan was for a period of time. I
(22) believe there was a lady by the name of Joan Stuart.
(23) Q: Could you spell her last name, please.
(24) A: S-T-U-A-R-T. For a period of time. Those
(25) are the two - two key ones that I remember that -

Page 167

(1) at least certainly the time that I had any
(2) involvement with the data.
(3) Q: If you look toward the bottom of the first
(4) page of the document - I'll read it into the
(5) record, where it says: (Reading)
(6) After evaluating the
(7) foregoing, MRD will advise
(8) whether:
(9) a. All sample cells are
(10) to be used in producing
(11) profile data on adult smokers
(12) [And] b. The lower age
(13) limit for the profile of young
(14) smokers is to remain at 14.
(15) Do you see that?
(16) A: I see that. It's on the document, yes.
(17) MR. WILLIAMS: If there a question?
(18) MS. SAMUELS: Yes, there will be.
(19) BY MS. SAMUELS:
(20) Q: Do you know whether MRD advised a change in
(21) the lower age limit for the profile of young
(22) smokers?
(23) A: I have no idea, because, again, this
(24) document precedes my coming to Reynolds.
(25) Q: Did you - are you aware of any profile of

52189 5147

Page 168

Page 170

(1) young smokers?
(2) A: The only data on 14 and 17 or under 18 year
(3) old adult smokers that I have ever been aware of or
(4) have ever seen is the data that we discussed with
(5) the long-range forecasting.
(6) Q: If you turn to the second page of the
(7) document, under Number 2 it says: (Reading)
(8) Reports To Be Produced.
(9) Two separate and complete
(10) profile reports are to be
(11) produced:
(12) a. The standard report
(13) based on respondents 21 and
(14) older.
(15) b. A report based on
(16) respondents 14 to 20 (assuming
(17) no change in the lower age
(18) limit). This report is to
(19) replicate that on adult
(20) smokers, except that the age
(21) breaks will be 14 to 15, 16 to
(22) 17, 18 to 20.
(23) A: I see that it says that, yes.
(24) Q: Do you know whether these two reports
(25) referenced in this paragraph were ever produced?

Page 169

Page 171

(1) A: No, I don't.
(2) Q: If you turn to the second to last page of
(3) the document, the bottom of the page, next to
(4) Number 4, it says: (Reading)
(5) The special analyses of
(6) Camel Non-filter and Camel
(7) Filter gains/losses, by age,
(8) are to be produced as usual,
(9) while the table on smoking
(10) habits of women is to be
(11) discontinued.
(12) Do you have any knowledge of special
(13) analyses of Camel Non-filter and Camel Filter
(14) gains/losses by age?
(15) MR. WILLIAMS: Whoa, whoa. You mean in
(16) 1971?
(17) MS. SAMUELS: Yes.
(18) THE WITNESS: No, I do not. I was not
(19) involved with any of that at that time.
(20) BY MS. SAMUELS:
(21) Q: Are you aware of any special analyses of
(22) Camel Non-filter and Camel Filter gains and losses
(23) at any time during your tenure with Reynolds?
(24) MR. WILLIAMS: You - you're talking about
(25) NFO data.

(1) MS. SAMUELS: I'm talking about -
(2) MR. WILLIAMS: Because we've been - we
(3) produced a lot of Camel data on gains/losses.
(4) THE WITNESS: Are you referring to just NFO
(5) data reports in general?
(6) MS. SAMUELS: I'm referring to any reports
(7) on special analyses of Camel Non-filter and Camel
(8) Filter gains or losses.
(9) THE WITNESS: I'm not aware of special
(10) analyses. I'm aware of the ongoing NFO reports,
(11) which did report gains and losses for all Reynolds
(12) brands.
(13) BY MS. SAMUELS:
(14) Q: Including Camel Non-filter and Camel Filter?
(15) A: Including - right.
(16) Q: And those ongoing reports, did they continue
(17) when the Tracker system was implemented?
(18) MR. WILLIAMS: Did what reports?
(19) MS. SAMUELS: The ongoing reports regarding
(20) gains and losses for Reynolds brands.
(21) MR. WILLIAMS: Okay. Please rephrase your
(22) question. When you say "ongoing," it sounds like
(23) NFO was continuing during the time of Tracker. Can
(24) you change your question to take out the word
(25) "ongoing" or ask him what Tracker did?

(1) BY MS. SAMUELS:
(2) Q: When the Tracker system was implemented, did
(3) you use Tracker to study the gains and losses of
(4) different Reynolds brands?
(5) A: Of Reynolds brands? Yes, up to a period of
(6) time where, for cost reasons, we cut our sample
(7) sizes in the data to the point where you could no
(8) longer reliably look at that, which was around three
(9) or four years ago, four or five years ago.
(10) But, yes, there was - there was similar
(11) data in Tracker as NFO, based on adult smokers.
(12) Q: And since the period you just referred to,
(13) three or four years ago, when -
(14) A: In reference to Tracker, yes.
(15) Q: Is there - since that period three or four
(16) years ago, are the gains and losses of Reynolds
(17) brands still studied using Tracker data?
(18) A: I haven't seen any of those kinds of
(19) studies. My personal belief is that the base sizes
(20) are too small for that to be meaningful. Whether
(21) someone has attempted to do that, I don't know.
(22) Q: And in the period between when Tracker was
(23) implemented, which we've said was in the late '80s,
(24) until about three or four years ago, were analyses
(25) of Camel Non-filter gains and losses conducted for

52189 5148

Page 172

(1) that whole period?
(2) A: Camel Non-filter?
(3) Q: (Nods head.)
(4) A: I don't believe - to my knowledge, no. No
(5) research or reports have been done on Camel
(6) Non-filter for quite a number of years now.
(7) Q: Since when?
(8) A: Probably the last ones I would have ever
(9) seen would have been around the early '80s, maybe.
(10) Q: Are you familiar with the phrase "Camel Ex.
(11) Reg.?"
(12) A: Yes.
(13) Q: What does that mean?
(14) A: That means excluding the non-filter style of
(15) the brand?
(16) Q: Going back to the first page of this
(17) document, Moore Exhibit Number 6, if you look at
(18) Section B-2, which is around the middle of the page,
(19) it says "Respondents Aged 13 And Younger." And I
(20) believe it says: (Reading)
(21) Cards are to be punched.
(22) for those who are cigarette
(23) smokers to provide a count by
(24) year of the very young
(25) smokers reported.

Page 173

(1) Are you aware of Reynolds ever collecting
(2) any data on people younger than age - on smokers
(3) younger than age 14?
(4) A: No, I was not aware of that.
(5) Q: Can you think of any reason why Reynolds
(6) would collect data on smokers under the age of 14?
(7) MR. WILLIAMS: Object. There's no - that
(8) mischaracterizes what is going on in this document.
(9) It mischaracterizes anything he has said. There has
(10) been no indication they collected any data less than
(11) 14. All this says is "Cards are to be punched."
(12) What does that mean?
(13) BY MS. SAMUELS:
(14) Q: Mr. Moore, it says cards are to be punched
(15) regarding respondents age 13 and younger. Are you
(16) aware - you've already testified that you're not
(17) aware that Reynolds has -
(18) A: I'm not aware of any of that kind of
(19) information.
(20) Q: Can you think of any reason that information
(21) on smokers age 13 and younger might have been
(22) collected by Reynolds?
(23) MR. WILLIAMS: Object. Lacks of personal
(24) knowledge. You're asking him to guess, is what
(25) you're asking him to do. Asking him to guess about

Page 174

(1) something that didn't happen from the looks of this
(2) document.
(3) MS. SAMUELS: Mr. Moore.
(4) THE WITNESS: I have no idea. I wouldn't
(5) know.
(6) MS. SAMUELS: I'd like to have this marked
(7) as Moore Exhibit Number 7.
(8) (Moore Deposition Exhibit Number 7 was
(9) marked for identification.)
(10) BY MS. SAMUELS:
(11) Q: Mr. Moore, I'm handing you what's been
(12) marked as Moore Exhibit Number 7. It's also been
(13) identified as CX-777 and by the Reynolds Bates
(14) Number 50144 4437. It's a memo dated February 21st,
(15) 1980, from Stephen R. Perry to Mr. J.B. Stuart. And
(16) you are listed among the people to whom copies were
(17) to be distributed.
(18) And let me know when you've had a chance to
(19) look at it.
(20) (Witness reviews document.)
(21) A: I've finished.
(22) Q: Mr. Moore, have you ever seen this document
(23) before?
(24) A: Yes, I have.
(25) Q: When?

Page 175

(1) A: It would have been around the time it was
(2) issued in February of 1980.
(3) Q: If you look in the upper right-hand corner
(4) of the document, your name is handwritten there. Is
(5) that your handwriting?
(6) A: No, it's not.
(7) Q: Do you recognize the handwriting?
(8) A: No, I don't.
(9) Q: Okay.
(10) MR. WILLIAMS: Counsel, what's the point?
(11) He's already said he recalls receiving it. He said
(12) he recalled receiving it.
(13) BY MS. SAMUELS:
(14) Q: The memo is entitled "Differences Between
(15) Gallup Poll Estimates And HEW Estimates Of Teenage
(16) Smoking Incidence."
(17) A: Yes.
(18) Q: Do you know why the differences between the
(19) Gallup poll estimates and HEW estimates of teenage
(20) smoking incidence were written about during that
(21) time period?
(22) A: Yes.
(23) Q: Why?
(24) A: We had just talked a little while ago about
(25) that January 1980 was the first report that was

52189 5149

Page 178

Page 178

(1) issued on the 14 to 17 year olds that we were using
(2) for forecast purposes. Following the issue of that
(3) report, Jim Stuart, who was the head of the
(4) marketing research department, was concerned that
(5) maybe data that we had, because of small sample
(6) sizes, was not of sufficient quality to use in
(7) forecast.

(8) So he asked specifically that we look at
(9) any other sources or smoking incidence published by
(10) either the government or other sources, public
(11) sources that would give us a basis of comparison to
(12) the data that we had available to us, to give us
(13) more confidence that that information was usable for
(14) forecasting.

(15) Steve Perry actually was, I believe,
(16) working for me at the time. He was assigned that --
(17) he was given that assignment. And this was his
(18) response to that question.

(19) Q: If you turn to the second page of the
(20) document and look at the second-to-last paragraph,
(21) which says: (Reading)

(22) Most importantly, I do
(23) not believe the differences
(24) (however large they may
(25) actually be) result in

Page 177

Page 179

(1) substantively different major
(2) conclusions or future
(3) implications. Both studies
(4) conclude that incidence is
(5) higher among girls than boys.
(6) teenage boys are heavier
(7) smokers, etc.

(8) Mr. Moore, would these studies' conclusions
(9) that incidence is higher among girls than boys
(10) affect Reynolds long-range forecasting?

(11) A: Absolutely.

(12) Q: How?

(13) MR. WILLIAMS: Counsel -- go ahead.

(14) THE WITNESS: Because the differences in
(15) brand --

(16) MR. WILLIAMS: She didn't even ask the
(17) question.

(18) THE WITNESS: I'm sorry.

(19) MR. WILLIAMS: She said -- the answer is of
(20) course or absolutely.

(21) Now, do you want to ask him why?

(22) BY MS. SAMUELS:

(23) Q: The question I asked was how.

(24) A: Because of the difference in brand
(25) preferences and brand style preferences among -- you

(1) know, by sex.

(2) Q: How would that affect Reynolds' long-range
(3) forecasting?

(4) A: If you recall, we were doing plans for both
(5) the Tobaccoville facility and upgrading the Whitaker
(6) Park facility. The issue was not just the overall
(7) volume that we might sell, but down to individual
(8) brand or brand style levels, in many instances,
(9) because, for example, things like box machinery
(10) versus soft-pack packaging required different
(11) machinery, different processes, to manufacture the
(12) cigarettes.

(13) So -- and there were very long lead times
(14) on acquiring that equipment, sometimes two to three
(15) years out to acquire box packing machinery.

(16) So different brand preferences and brand
(17) style preferences that existed in the marketplace
(18) were also critical to the forecast, not just an
(19) overall volume forecast for the company.

(20) And that's part of what determines that are
(21) age and sex differences and different brand and
(22) brand style preferences among those groups.

(23) Q: Okay.

(24) I'm going to hand you back what was marked
(25) as Moore Exhibit Number 2.

(1) MS. SAMUELS: And I'd like to have this
(2) document marked as Moore Exhibit Number 8.
(3) (Moore Deposition Exhibit Number 8 was
(4) marked for identification.)

(5) BY MS. SAMUELS:

(6) Q: Mr. Moore, I'm handing you what's been
(7) marked as Moore Exhibit Number 8. It's also labeled
(8) CX-63, and the Reynolds Bates number is 50079 4821.
(9) It's a memo dated July 18th, 1980, to you, from Kay
(10) Duffy. And the subject is "Teenage Smokers (14-17)
(11) And New Adult Smokers And Quitters."

(12) And let me know when you've had a chance to
(13) look it over.

(14) A: The date is not legible on my copy. I'm
(15) sorry. What did you say the date was?

(16) Q: July 18th, 1980. It is more legible on my
(17) copy.

(18) (Witness reviews document.)

(19) A: I've finished.

(20) Q: Okay. Is Moore Exhibit Number 8 the report
(21) that was referred to in the first sentence of Moore
(22) Exhibit Number 2?

(23) A: I believe it is, yes.

(24) Q: Did you request that Kay Duffy write this
(25) memo?

52189 5150

Page 180

(1) A: Yes. She -
(2) Q: Write Moore Exhibit Number 8?
(3) A: Moore - the Exhibit Number 8. She was
(4) working for me at the time.
(5) Q: And you requested that she write the memo?
(6) A: Yes.
(7) MR. WILLIAMS: He just answered that.
(8) BY MS. SAMUELS:
(9) Q: Was this during a time period when she was
(10) rotating through your department as we discussed
(11) yesterday?
(12) A: Yes.
(13) Q: Did you review any drafts of this document,
(14) of Moore Exhibit Number 8?
(15) A: I don't recall.
(16) Q: And did someone ask you to have someone
(17) prepare a report on teenage smokers and new adult
(18) smokers and quitters?
(19) A: It was a part of what we were doing for the
(20) long-range forecast, where we had indicated earlier
(21) that we would do these updates over the period of
(22) time that we were utilizing or developing this
(23) forecast.
(24) So it was a plan - we planned to do these
(25) semiannual updates from the beginning, for as long

Page 181

(1) as was needed.
(2) Q: Planned by whom?
(3) A: By the forecast group.
(4) Q: And were you the head of the forecast group
(5) at that time around July - well, starting in
(6) January 1980?
(7) A: I can't recall the exact date, but I was -
(8) I was responsible for the - for this long-range
(9) forecast project, in conjunction with the forecast
(10) group. I don't recall whether I was actually the
(11) overall manager at that particular time or not.
(12) Q: So the idea of doing this series of reports,
(13) of which this is the second - of which Moore
(14) Exhibit Number 8 is the second, on teenage smokers
(15) and new adult smokers and quitters, was the idea of
(16) the forecast group?
(17) A: Yes, it was.
(18) Q: Who were the members of the forecast group
(19) at that time?
(20) A: I believe we talked about this yesterday.
(21) MR. WILLIAMS: Counsel, we did cover this
(22) yesterday. I'm going to object. That's been asked
(23) and answered. Let's move on.
(24) BY MS. SAMUELS:
(25) Q: Who were the members of the forecast group

Page 182

(1) at this time?
(2) MR. WILLIAMS: You want him to answer it a
(3) second time?
(4) MS. SAMUELS: Yes.
(5) THE WITNESS: In 1980, I believe it would
(6) have been John Hribar, H-R-I-B-A-R; Phil Galyan.
(7) And then I was involved in the long-range
(8) forecasting project and had responsibility for that.
(9) As we already said, Kay Duffy was reporting to me at
(10) the time. She issued this report. Steve Perry was
(11) also reporting to me and involved in this long-range
(12) forecasting project. And he was copied on Kay's
(13) report as well.
(14) There may have been a couple of other
(15) analysts rotating through the forecast group. I
(16) don't recall exactly who they were right now. That
(17) was kind of an ongoing thing.
(18) BY MS. SAMUELS:
(19) Q: So who asked you to have Exhibit 8 prepared?
(20) MR. WILLIAMS: Counsel, he just testified on
(21) that. He said this was part of the long-range
(22) forecast.
(23) THE WITNESS: Exhibit 8? Yes, it was part
(24) of the long-range forecast, an update that we had
(25) decided to do. It was also a training exercise for

Page 183

(1) Kay Duffy.
(2) BY MS. SAMUELS:
(3) Q: Who asked you to have Exhibit 8 prepared?
(4) A: No one asked me to do it.
(5) MR. WILLIAMS: Counsel, he's answered that
(6) three times now.
(7) BY MS. SAMUELS:
(8) Q: Now, the January 1980 report, which you said
(9) was the first report in this series relating to
(10) teenage smokers and new adult smokers and quitters,
(11) did Kay Duffy also write that?
(12) A: No. I don't believe she was even in my
(13) group at that time.
(14) Q: Who wrote it?
(15) A: I believe it may have - I don't remember.
(16) MR. WILLIAMS: Hold on. Let's look at it.
(17) THE WITNESS: I have to look at it to see.
(18) MR. WILLIAMS: Don't guess.
(19) THE WITNESS: Yeah.
(20) BY MS. SAMUELS:
(21) Q: Well, who instructed you to have the first
(22) report in this series on teenage smokers and new
(23) adult smokers and quitters prepared?
(24) A: Again, I believe we talked about this
(25) yesterday.

52189 5151

Page 184

Page 186

(1) The way that transpired was I was given
(2) responsibility to try to develop a methodology for
(3) this long-range forecast. We canvassed the
(4) marketing research department for any and all data
(5) that may be of use in developing such a forecast and
(6) also soliciting ideas of how we might go about
(7) developing this long-range forecast.
(8) This data we discovered in talking with the
(9) people who - the person who was responsible for the
(10) NPD data at the time. The request to produce a
(11) long-range forecast certainly came from Jim Stuart
(12) and my management. It was at the direction,
(13) certainly of Mr. Long, who was part of the - the
(14) Executive Committee responsible for making decisions
(15) about - and recommendations about things such as
(16) Tobacco and the facilities and plants and all
(17) that kind of thing.
(18) So that - that's how it came into being.
(19) Whether a single individual said "Write this
(20) report," I don't recall.
(21) Q: Do you remember whether writing this series
(22) of reports on teenage smokers and new adult smokers
(23) and quitters was your idea?
(24) MR. WILLIAMS: All right. That's it. The
(25) judge indicated - he already indicated this two or

(1) THE WITNESS: Yes.
(2) MS. SAMUELS: I'd like to have this marked
(3) as Moore Exhibit Number 9.
(4) (Moore Deposition Exhibit Number 9 was
(5) marked for identification.)
(6) MR. WILLIAMS: We've been going about an
(7) hour and 45 minutes. Time for a break?
(8) MS. SAMUELS: Sure.
(9) (Recess taken from 9:38 a.m. to 9:50 a.m.)
(10) BY MS. SAMUELS:
(11) Q: I've handed you what's been marked Moore
(12) Exhibit Number 9. It's also identified as CX-65 and
(13) also with the Reynolds Bates Number 50374 8558.
(14) It's a memo from G.H. Long to Mr. E.A.
(15) Horrigan, Jr., dated July 22nd, 1980. And the
(16) subject of the memo is "MDD Report On Teenage
(17) Smokers (14-17)."
(18) Does MDD stand for marketing development
(19) department?
(20) A: Yes.
(21) Q: And was that just a name change from
(22) marketing research department?
(23) A: Yes, it was.
(24) Q: Have you ever seen this document before
(25) right now?

Page 185

Page 187

(1) three or four times. This is bordering on
(2) harassment. He said he told Kay Curry to do this
(3) report. What more do you need, Counsel?
(4) BY MS. SAMUELS:
(5) Q: Did you also instruct that the first report
(6) be written?
(7) A: I believe so.
(8) Q: And you've testified that this series of
(9) reports was prepared for the purpose of long-range
(10) forecasting?
(11) MR. WILLIAMS: Object. Asked and answered.
(12) Move on, please.
(13) You may answer.
(14) THE WITNESS: Yes.
(15) BY MS. SAMUELS:
(16) Q: Were there any other reasons?
(17) A: No.
(18) MR. WILLIAMS: Object. Asked and answered.
(19) BY MS. SAMUELS:
(20) Q: Was it your understanding at the time these
(21) documents were written, beginning in approximately
(22) January 1980, that the sole reason they were being
(23) written was for the purpose of long-range
(24) forecasting?
(25) MR. WILLIAMS: Asked and answered. Object.

(1) A: I saw it once in the course of litigation
(2) late last year.
(3) Q: In the course of what litigation?
(4) A: The Mangini/California RJR litigation.
(5) Q: Who showed it to you?
(6) A: Reynolds attorneys, or attorneys for
(7) Reynolds.
(8) Q: Could you turn to the last paragraph of the
(9) memo.
(10) MR. WILLIAMS: It's only a one-page memo.
(11) BY MS. SAMUELS:
(12) Q: Could you look at the last paragraph of the
(13) memo, which says: (Reading)
(14) Hopefully, our various
(15) planned activities that will
(16) be implemented this fall will
(17) aid in some way in reducing or
(18) correcting these trends.
(19) Do you know what planned activities
(20) Mr. Long was referring to that would be implemented
(21) that fall?
(22) A: No.
(23) Q: Can you think of any reason why the building
(24) or expansion of manufacturing facilities would aid
(25) in reducing or correcting the trends referred to in

52189 5152

Page 188

Page 190

(1) the first two paragraphs of the memo?
(2) A: I have no idea what he meant by that - by
(3) that sentence.
(4) Q: Were you ever scheduled for a deposition in
(5) the Mangini case?
(6) A: I was to be deposed, but the deposition
(7) didn't occur, because the case was settled prior to
(8) my deposition.
(9) MS. SAMUELS: I'd like to have this marked
(10) as Moore Exhibit Number 10.
(11) (Moore Deposition Exhibit Number 10 was
(12) marked for identification.)
(13) BY MS. SAMUELS:
(14) Q: Mr. Moore, I'm handing you what's been
(15) marked as Moore Exhibit Number 10. It's a memo
(16) dated July 31st, 1980, from Kay Duffy to Mr. J.B.
(17) Stuart. The subject - it's also been identified as
(18) CX-99, and the Reynolds Bates Number is 50079 4841.
(19) The subject of the report is "Addendum for
(20) Report Teenage Smokers (14-17) And New Adult Smokers
(21) And Quitters."
(22) If you'll look at the second sentence in
(23) the first paragraph, it says: (Reading)
(24) This serves as an
(25) addendum to the report issued

(1) MS. SAMUELS: Mr. Moore?
(2) THE WITNESS: I think it's clear from the
(3) first bullet point on the first page under "Summary
(4) Of Key Findings," where it says: (Reading)
(5) Neither Camel, Vantage,
(6) More, or Now account for a
(7) very large portion of the
(8) teenage smokers.
(9) And I believe that they were so small in
(10) terms of their proportion of teenage smokers, they
(11) weren't included.
(12) MS. SAMUELS: I'd like to have this document
(13) marked as Moore Exhibit Number 11.
(14) (Moore Deposition Exhibit Number 11 was
(15) marked for identification.)
(16) BY MS. SAMUELS:
(17) Q: Mr. Moore, I'm handing you what has been
(18) marked as Moore Exhibit Number 11. It's also been
(19) identified as CX-792, and the Reynolds Bates Number
(20) is 50079 4747.
(21) This is a memo dated October 29th, 1980, to
(22) you from Ms. Kay Duffy. And the subject is "Teenage
(23) Smokers (14-17) And New Adult Smokers And Quitters."
(24) I'm not going to ask you a lot of questions
(25) about this. I'd like to just direct your attention

Page 189

Page 191

(1) on July, 1980 (attached) -
(2) (it's not attached here) -
(3) which did not analyze the
(4) brands listed above.
(5) Why was this addendum prepared?
(6) A: Well, we discussed earlier the need to
(7) actually do forecast - long-range forecast for
(8) brands, not just an overall volume forecast for the
(9) company Camel - the brands in this report -
(10) Camel, Vantage, More, and Now - are all specific
(11) RJR brands, so they were not included in the first
(12) report. In terms of trying to improve and develop
(13) the forecast, we needed to get - get information on
(14) other RJR brands as well.
(15) Q: Why weren't they included in the first
(16) report?
(17) A: I'm not sure. I don't recall. It -
(18) MR. WILLIAMS: If you don't recall, you
(19) don't recall.
(20) THE WITNESS: I don't recall.
(21) BY MS. SAMUELS:
(22) Q: What's your best recollection as to why they
(23) were not included in the July 18th, 1980, report?
(24) MR. WILLIAMS: He said he had no
(25) recollection.

(1) to the first sentence of the document which says:
(2) (Reading)
(3) This is the third report
(4) relating to teenage smokers
(5) and new adult smokers and
(6) quitters.
(7) How many reports on this subject were done?
(8) A: I don't recall the exact number. They were
(9) only done over the period of time when we were
(10) involved with this long-range forecast. And that
(11) was certainly during the period of - when we began,
(12) which was like January 1980, and it went through,
(13) roughly, 1983, I believe.
(14) But as to how many times we - the specific
(15) number of times we did this, I don't recall the
(16) exact number. We may have - this may have been the
(17) last one. But I can't say that for an absolute
(18) certainty.
(19) Q: And have you ever seen this document before?
(20) A: Yes.
(21) Q: When?
(22) A: Well, the issue date was October 29th, 1980.
(23) It would have been on or around that date, or after
(24) that date.
(25) Q: And any time between then and now?

Page 192

Page 194

(1) A: No.
(2) MS. SAMUELS: I'd like to have this document
(3) marked as Moore Exhibit Number 12.
(4) (Moore Deposition Exhibit Number 12 was
(5) marked for identification.)
(6) BY MS. SAMUELS:
(7) Q: Mr. Moore, I'm handing you what's been
(8) marked as Moore Exhibit Number 12. It's also
(9) identified as CX-811, and the Reynolds Bates Number
(10) is 50301 1398.
(11) It's a memo from Ms. Diane Burrows to
(12) Mr. Greg Novak, dated August 9th, 1982, "Re:
(13) Rationale For Slower Industry Growth After Increase
(14) In F.F.T. And your name appears on the list of
(15) people to whom this was to be distributed.
(16) Have you seen this document before?
(17) A: Yes.
(18) Q: When?
(19) A: It would have been on or around that
(20) April 9th, 1982, date.
(21) Q: Was this document also prepared for
(22) long range forecasting or planning purposes?
(23) A: Yes, it was.
(24) Q: Was it prepared for any other purpose other
(25) than that?

Page 193

(1) A: No, it was not.
(2) MS. SAMUELS: I'd like to have this document
(3) marked as Moore Exhibit 13.
(4) (Moore Deposition Exhibit Number 13 was
(5) marked for identification.)
(6) BY MS. SAMUELS:
(7) Q: Mr. Moore, I'm handing you what's been
(8) marked as Moore Exhibit Number 13. It's a memo
(9) dated September 27, 1982, to you from Ms. D.S.
(10) Burrows, "Re: NBER Models Of Price Sensitivity By
(11) Age/Sex." It's also been identified as CX-819. The
(12) Reynolds Bates Number is 50301 1370.
(13) I only have questions about the first two
(14) pages, but feel free to look at the whole document,
(15) if you wish.
(16) MR. WILLIAMS: I'm sorry. You said you only
(17) have questions on the first two?
(18) MS. SAMUELS: Yes.
(19) MR. WILLIAMS: Let me note for the record
(20) that this document and the last document, both were
(21) written by Diane Burrows, who is this week been
(22) deposed and asked questions about both documents.
(23) So I'm not sure why we need to spend time asking
(24) this witness about why they were prepared when the
(25) author has already testified to that fact.

(1) (Witness reviews document.)
(2) THE WITNESS: I'm finished.
(3) BY MS. SAMUELS:
(4) Q: Okay. I'd like to direct your attention to
(5) the chart at the bottom of the first page of the
(6) document entitled "NBER Price Elasticity Among," and
(7) then it lists different age groups. And could you
(8) just explain to me what this chart means.
(9) MR. WILLIAMS: Well, wait a minute. That's
(10) an improper question to this witness. He didn't
(11) prepare the chart. It's a proper question to
(12) Ms. Burrows, who's already been asked the question.
(13) MS. SAMUELS: Mr. Moore?
(14) THE WITNESS: It contains NBER estimates of
(15) price elasticity among the groups listed in the
(16) table.
(17) BY MS. SAMUELS:
(18) Q: For example, looking at the row entitled
(19) "Effect on Incidence" -
(20) A: Correct.
(21) Q: Does this - I'm sorry?
(22) A: Correct.
(23) Q: Do these numbers suggest that fewer people
(24) in the age groups listed would smoke?
(25) A: As prices rise. So stated by the NBER, yes,

Page 195

(1) that's the interpretation.
(2) Q: And the "Effect on Consumption" row -
(3) MR. WILLIAMS: What about it?
(4) MS. SAMUELS: I'm getting to that.
(5) BY MS. SAMUELS:
(6) Q: Does it suggest that people in the age
(7) groups listed would smoke fewer cigarettes as prices
(8) rise?
(9) A: According to the NBER models, which is what
(10) she is reporting here, yes.
(11) Q: Could you turn to the second page of the
(12) document. In the cc portion of the document,
(13) there's a Mr. R.A. Davis listed.
(14) A: Yes.
(15) Q: Who is that?
(16) A: It was Bob Davis. He was part of the
(17) forecast group at that time.
(18) Q: I'd like to direct your attention to the
(19) second paragraph on this page, which states:
(20) (Reading)
(21) But, the loss of younger
(22) adult males and teenagers is
(23) more important to the long
(24) term, drying up the supply of
(25) new smokers to replace the

52189 5154

Page 198

Page 198

(1) old.
(2) Do you agree with that statement?
(3) MR. WILLIAMS: Objection. He's not here to
(4) agree or disagree with statements. If you have a
(5) particular - in something somebody else wrote.
(6) MS. SAMUELS: Mr. Moore?
(7) THE WITNESS: I don't agree with the
(8) statement, no.
(9) BY MS. SAMUELS:
(10) Q: Why not?
(11) A: I don't think - I don't believe you can
(12) draw any conclusions about that from this study.
(13) The objective of this document was to try to
(14) understand the impact that an increase in the
(15) Federal Excise Tax may have on the overall longer
(16) term industry volume. And this was Diane's
(17) conclusion about what the NBER study suggested.
(18) Q: Was Ms. Burrows reporting to you at that
(19) time when this was written on September 27, 1982?
(20) A: I believe so, yes.
(21) Q: Did you communicate your disagreement with
(22) this statement to her at that time?
(23) A: I don't recall. It was just a report that
(24) was issued to the forecast group, so there was not
(25) any - I mean - as an input to the forecast. So it

Page 197

(1) was not - her opinions or conclusions were not of
(2) any consequence in that regard. It was her
(3) statement.
(4) Q: When your direct reports include statements
(5) that you disagreed with in written memoranda, was it
(6) your standard practice to communicate your
(7) disagreement with those statements to them?
(8) A: Usually, on a - if it were something that
(9) was going outside of the research department.
(10) Q: And to your knowledge, did this go outside
(11) the research department?
(12) A: No.
(13) Q: Was this report filed in any library or
(14) research center - information center?
(15) A: I can't say specifically, except the MDIC is
(16) on the copy list, which is the marketing development
(17) information center. So it would certainly appear
(18) that they would have gotten a copy to be filed.
(19) Q: Do you know if this document was generally
(20) available in the information center or if it had
(21) restricted access?
(22) A: I don't know. This certainly had nothing to
(23) do with - with our 14 to 17 year old data from NFO.
(24) It was just a published government NBER study that
(25) would have been available to anyone, that Diane was

(1) reviewing and reporting. So I would think there
(2) would be no reason to restrict it in any way.
(3) Q: If you turn back to the first page of the
(4) document, in the lower left-hand corner we see
(5) "DBS/ch - 9/27/82," which is also the date of this
(6) memo, and under it it says "Code: 5.21." And that
(7) seems to appear on every consecutive page of the
(8) document. What do those letters and numbers mean?
(9) A: Well, "DSB" are the initials of Diane
(10) Burrows. The "ch" are the initials of the secretary
(11) who typed this report. And, of course, it has the
(12) date. The code may have been that - I have no
(13) idea -
(14) MR. WILLIAMS: Let's not guess.
(15) THE WITNESS: I'd only be guessing what that
(16) code would mean.
(17) BY MS. SAMUELS:
(18) Q: Did codes such as this, were they ever
(19) included in documents you wrote?
(20) A: Not to my knowledge.
(21) Q: What's your best recollection of what that
(22) Code 5.21 means?
(23) MR. WILLIAMS: He says he doesn't know.
(24) THE WITNESS: I don't know.
(25) MR. WILLIAMS: If he doesn't have a

Page 199

(1) recollection, Counsel, he can't have a best
(2) recollection.
(3) MS. SAMUELS: Mr. Moore?
(4) MR. WILLIAMS: Unless you're ask - he just
(5) said he didn't know again.
(6) THE WITNESS: I don't know what the code
(7) means.
(8) MR. WILLIAMS: Why don't you ask Diane
(9) Burrows that.
(10) MS. SAMUELS: I'd like to have this document
(11) marked as Moore Exhibit 14.
(12) (Moore Deposition Exhibit Number 14 was
(13) marked for identification.)
(14) BY MS. SAMUELS:
(15) Q: Mr. Moore, I'm handing you what's been
(16) marked as Moore Exhibit 14. It's also identified as
(17) CX-198, and it bears the Reynolds Bates Number
(18) 50747 2446. It's entitled "Agemix Model Of YAS
(19) Impact On SOM."
(20) Have you ever seen this document before?
(21) MR. WILLIAMS: Does it have an author or any
(22) recipients? Counsel, can you key him in -
(23) MS. SAMUELS: Not listed on the document.
(24) MR. WILLIAMS: Pardon me?
(25) MS. SAMUELS: Not listed on the document.

52189 5155

Page 200

Page 202

(1) (Witness reviews document.)
(2) THE WITNESS: I don't recall having seen
(3) this.
(4) BY MS. SAMUELS:
(5) Q: Do you know what agemix is or what it means?
(6) A: This - I would only be guessing as to
(7) what - as to what this is.
(8) Q: Has any research you've ever conducted,
(9) supervised, or reviewed involved agemix?
(10) A: Yes.
(11) Q: And what was that?
(12) A: Again, in this long-range forecast, as we
(13) discussed yesterday, by taking the age groups and
(14) then using incidence and rate versus the population
(15) and aging them out in time, that was kind of an
(16) agemix model that was referred to. This appears to
(17) be something like that. But I don't recall it.
(18) Q: Could you look at the table on the first
(19) page next to - under Number 2 - under Number 2,
(20) under the heading "Assumptions."
(21) A: Yes.
(22) Q: What does this table show?
(23) MR. WILLIAMS: You want him to read it into
(24) the record?
(25) THE WITNESS: These are rate per day

(1) THE WITNESS: Domestically, for U.S.
(2) MS. SAMUELS: Yes.
(3) BY MS. SAMUELS:
(4) Q: Could I direct your attention to - I'll
(5) read you the nine-digit Bates Number of the page.
(6) It's 50747 2450. It's about three pages from the
(7) last page of the document.
(8) And there's a table on that page entitled
(9) "Incremental SOM From YAS Plan Camel." Are you with
(10) me?
(11) A: Yes.
(12) Q: For purposes of this table, what age group
(13) is YAS defined as?
(14) A: Well, younger adult smokers - that would be
(15) the total - as we discussed before, were 18 to 24
(16) year olds, was the definition. This specifically
(17) says at the top, younger adult smokers 18 to 20. So
(18) I'm assuming it's some subgroup of the younger adult
(19) smokers, the 18 to 20 year olds, instead of 18 to
(20) 24.
(21) Q: In the left-hand column, there's a term
(22) entitled "SOS Swing." Do you know what that
(23) means?
(24) A: No, I don't.
(25) Q: How about the term "Conversion Benefit," do

Page 201

Page 203

(1) estimates which would be an estimate of the number
(2) of cigarettes smoked per day by a total 18 years and
(3) older smokers in the marketplace for the years 1975,
(4) '80, '85 and 1988.
(5) And underneath that, what they've done is,
(6) taking the individual age groups - 18 to 24, 25 to
(7) 34, and so forth - and indexed their rate per day
(8) to that total 18-plus number.
(9) BY MS. SAMUELS:
(10) Q: What does that last statement mean, "indexed
(11) their rate per day to that total 18-plus number"?
(12) A: Well, in other words, if you look at 1975,
(13) it would suggest that smokers in the 18 to 24 year
(14) old age group, their number of cigarettes smoked per
(15) day is about 82 percent of that of the total adult
(16) smoking population.
(17) Q: So the index equals 100?
(18) A: One hundred would be the same as all adults.
(19) Q: Okay. What is Reynolds' total share of
(20) market currently?
(21) A: Today?
(22) Q: (Nods head.)
(23) A: It's around 25 percent of the market.
(24) MR. WILLIAMS: You're asking domestically,
(25) Counsel?

(1) you know what that means?
(2) A: I don't.
(3) Q: And the term "SOS Base Trend," do you know
(4) what that means?
(5) A: No, I don't.
(6) Q: Do you know what the term "Direct
(7) Incremental SOM Value" means?
(8) A: That would be - that was used in many
(9) situations to - as an estimate of what the
(10) incremental share of market would be to the company,
(11) on the total RJR basis.
(12) Q: Looking at the table as a whole, do you know
(13) what it represents?
(14) A: It would appear to be a forecast, but
(15) that's - you know, I'm only guessing.
(16) Q: A forecast of what?
(17) MR. WILLIAMS: Let's not guess, Jerry.
(18) BY MS. SAMUELS:
(19) Q: Who would be the best person at Reynolds to
(20) ask about this table?
(21) MR. WILLIAMS: Well, let's get a date on it.
(22) Okay. Have we got a date? The best person would
(23) probably be the person who created it.
(24) Ms. Burrows is being asked questions about
(25) agemix models. So we may be able to help you out

Page 204

(1) there. I think that's a clue.

(2) THE WITNESS: I don't know without knowing
(3) the originator or the time or something. I wouldn't
(4) have any idea -

(5) BY MS. SAMUELS:

(6) Q: It appears to have been written 1988,
(7) 1989 - 1989. On the first page of the document,
(8) there's data going up to the year 1988.

(9) A: I don't know. It could have been a forecast
(10) document. Could have been something else. I have
(11) no idea.

(12) Q: In 1989, was your department doing forecast
(13) work for Reynolds?

(14) A: Yes.

(15) Q: Were any other departments doing forecast
(16) work for Reynolds at that time?

(17) A: No.

(18) Q: Were there any outside consultants doing
(19) forecast work for Reynolds at that time? I'm
(20) talking 1989.

(21) A: Not that I recall.

(22) MS. SAMUELS: I'd like to have this document
(23) marked as Moore Exhibit Number 15.

(24) (Moore Deposition Exhibit Number 15 was
(25) marked for identification.)

Page 205

(1) BY MS. SAMUELS:

(2) Q: Mr. Moore, I'm handing you what's been
(3) marked as Moore Exhibit Number 15 entitled "Younger
(4) Adult Smoker Analysis." It's also been identified
(5) as CX-657 and bears the Reynolds Bates Number
(6) 50203 3345.

(7) Have you ever seen this document before?
(8) (Witness reviews document.)

(9) A: Yes, I've seen this before.

(10) Q: When?

(11) A: I believe I was in a presentation where this
(12) information was shown.

(13) Q: Who was giving the presentation?

(14) A: I don't recall for sure.

(15) Q: What's your best recollection of who was
(16) giving the presentation?

(17) MR. WILLIAMS: I'm happy to help in this
(18) regard, Counsel. It's been fully explored in the
(19) other deposition going on this week. If there's a
(20) mystery, we'll get - well -

(21) THE WITNESS: I honestly don't recall. I
(22) believe it would have been either Diane Burrows or
(23) Dick Nordine.

(24) BY MS. SAMUELS:

(25) Q: Do you recall when that presentation took

Page 206

(1) place?

(2) A: No, I'm sorry, I don't.

(3) Q: Was it in the 1980s?

(4) A: I believe so.

(5) Q: Do you remember whether it would have been
(6) the early '80s, perhaps 1983?

(7) A: I don't recall.

(8) Q: Do you recall where the presentation took
(9) place?

(10) A: It was in the Reynolds building.

(11) Q: Do you recall how many people attended
(12) approximately?

(13) MR. WILLIAMS: The one he went to, I assume
(14) you're talking about.

(15) THE WITNESS: The presentation that I was in
(16) was only to some people in marketing research,
(17) primarily the marketing research managers, of which
(18) there were probably six or seven in attendance.

(19) BY MS. SAMUELS:

(20) Q: So probably six or seven marketing research
(21) managers were in attendance?

(22) A: Correct.

(23) Q: Yesterday, we discussed a presentation given
(24) by Ms. Burrows regarding first usual brand younger
(25) adult smokers, that you attended.

Page 207

(1) A: Yes.

(2) Q: Was this a different presentation or the
(3) same presentation?

(4) A: I believe it's a different presentation
(5) or - or - this may have been only a piece of that
(6) presentation. I don't recall exactly.

(7) Q: You mentioned that there were six or seven
(8) other marketing research managers there. Do you
(9) remember who they were?

(10) A: Not specifically. I do remember there
(11) were - I do remember from the forecast group there
(12) was John Hribar. I believe Phil Galyan was in
(13) attendance. There were probably - I'm sure there
(14) was someone - one or more people who worked for me
(15) who were there. I don't recall anyone else.

(16) Q: Could I direct your attention to the fourth
(17) page of the document, the Reynolds number on that
(18) page is 50203 3348.

(19) Where it says "Sources," it lists 1982
(20) Incidence and Rate Report, MDD Tracker, I believe,
(21) and a Census Bureau population estimates.

(22) Are you familiar with the 1982 Incidence
(23) and Rate Report?

(24) A: Yes. That would have come from NFO data
(25) that existed at the time. We tracked incidence and

52189 5157

Page 208

Page 210

(1) rate per day.
(2) Q: Was that a report that was prepared on an
(3) annual basis?
(4) A: I believe it was - I believe the incidence
(5) and rate information on the total 18-plus population
(6) was available on a quarterly basis.
(7) Q: Was there any information collected on the
(8) incidence and rate for people under the age of 18?
(9) A: No. We discussed that - we've been through
(10) that. The only information that existed on that was
(11) the 17 year old data that was collected by NFO
(12) as a result of doing the household interviews and
(13) was not reported to Reynolds on any kind of tracking
(14) or ongoing basis. It was given to the forecast
(15) group specifically for that project.
(16) And this says 18-plus, meaning 18 year olds
(17) and older. So this is the usual data that existed
(18) from NFO, which was adults 18 years of age and
(19) older only.
(20) Q: Does Reynolds still prepare incidence and
(21) rate reports currently?
(22) A: Yes.
(23) Q: Are those based on Tracker data?
(24) A: Yes.
(25) Q: Any other data?

Page 209

Page 211

(1) A: No.
(2) Q: Let's look again under "Sources" where it
(3) says, I believe, MDD Tracker.
(4) A: Correct.
(5) Q: Was the Tracker system in use at Reynolds at
(6) that time?
(7) MR. WILLIAMS: Now, are you talking 1982, or 1983
(8) or when we think this report was prepared?
(9) MS. SAMUELS: 1983.
(10) THE WITNESS: I don't know. As we
(11) discussed, Tracker was a replacement for the NFO
(12) system. I don't recall the exact time that that
(13) occurred.
(14) Since it's referred to in this report, there
(15) must have been - it would appear that some of the
(16) information in this report was from the old NFO data
(17) system and some of the information was from the new
(18) Tracker system, since it's referenced in here. So I
(19) have no idea what time frame we're talking about.
(20) MS. SAMUELS: Okay. I'd like to have this
(21) document marked as Moore Exhibit Number 16.
(22) (Moore Deposition Exhibit Number 16 was
(23) marked for identification.)
(24) BY MS. SAMUELS:
(25) Q: Mr. Moore, I'm handing you what's been

(1) marked Moore Exhibit 16. It's also labeled CX-642.
(2) And it bears the Reynolds Bates Number 50731 8692.
(3) It's entitled "Key Performance Issues In 1990." And
(4) under that it says "Camel."
(5) Have you ever seen this document before?
(6) (Witness reviews document.)
(7) A: I don't recall having seen this before.
(8) Q: I'd like to direct your attention to Issue
(9) Number 3 which says: (Reading)
(10) What is the relationship
(11) between changes and
(12) promotional activity and share
(13) of claimed usual brand smokers
(14) among YAS? What does claimed
(15) usual brand mean to a YAS and
(16) how often does it change?
(17) My question is: Have you ever conducted,
(18) supervised, or reviewed any research or reports
(19) regarding the relationship between changes and
(20) promotional activity and share of claimed usual
(21) brand smokers among YAS?
(22) A: No, I have not.
(23) Q: Have you ever conducted, supervised, or
(24) reviewed any research or reports that involve the
(25) meaning of claimed usual brand to a YAS and how

(1) often it changes?
(2) MR. WILLIAMS: How often what changes?
(3) MS. SAMUELS: The meaning of - I'm sorry.
(4) Usual brand, claimed usual brand.
(5) MR. WILLIAMS: How often the claimed usual
(6) brand changes?
(7) THE WITNESS: I don't recall having seen
(8) any - any information that speaks to that question.
(9) BY MS. SAMUELS:
(10) Q: Looking at Issue Number 4, which says:
(11) (Reading)
(12) Why, how, and when does
(13) an occasional user of Camel
(14) become a claimed usual
(15) brander? What role do
(16) promotions play in that
(17) process? How often do you
(18) need to promote to turn
(19) occasional user into adopters?
(20) Have you ever conducted, supervised, or
(21) reviewed any research involving when an occasional
(22) user of Camel becomes a claimed usual brander?
(23) A: No, I have not.
(24) Q: Have you ever conducted, supervised, or
(25) reviewed any research regarding how often you need

52189 5158

Page 212

Page 214

(1) to promote to turn occasional users into adopters?
(2) A: No, I have not.
(3) Q: Looking at Issue Number 5, which says:
(4) (Reading)
(5) What impact does
(6) promoting have on a brand's
(7) image? What kind of
(8) promotions and how much
(9) enhance desired brand imagery?
(10) Have you ever conducted, supervised, or
(11) reviewed any research or reports regarding what
(12) impact promoting has on a brand's image?
(13) A: No, I have not.
(14) Q: Have you ever conducted, supervised, or
(15) reviewed
(16) A: I'm sorry. Let me back up to Number 5. I
(17) have seen some - some in-market - test market
(18) results with customized consumer research among
(19) adult smokers that speaks to the impact of - they
(20) talk about promotion as one of the elements in
(21) creating a brand's awareness and also perception to
(22) that brand, which relates to its image. I've seen
(23) those kinds of studies before, in terms of
(24) introducing brands into the marketplace.
(25) Q: Did you ever conduct any of those kinds of

(1) around 1990, what impact did the change in Camel's
(2) promotion strategy have on share of market?
(3) A: I have no idea. I was not involved in that.
(4) My work on that has been within the last four or
(5) five years, beginning, I believe, in 1995 when I
(6) left the forecast group and got involved in - more
(7) involved in my current position with the company.
(8) Q: Are you aware of any general conclusions
(9) that can be drawn regarding pack promotions' effect
(10) on share of market for Reynolds brands?
(11) MR. WILLIAMS: Well, let's define "pack
(12) promotions." What are you talking about?
(13) BY MS. SAMUELS:
(14) Q: Do you understand the question, Mr. Moore?
(15) MR. WILLIAMS: Are you talking about price?
(16) Are you talking about imagery?
(17) THE WITNESS: I don't understand your
(18) question, because it's - it's so broad. I mean, I
(19) don't understand what you are specifically trying to
(20) ask me.
(21) BY MS. SAMUELS:
(22) Q: What is a pack promotion?
(23) A: A pack promotion would be a promotion that
(24) involves the purchase of one or more packs as
(25) opposed to a carton of cigarettes. I believe we

Page 213

Page 215

(1) studied yourself?
(2) A: No, I did not.
(3) Q: Did any of the studies on that issue that
(4) you've seen relate to the Camel brand?
(5) A: No, not that I recall.
(6) Q: Have you ever conducted, supervised, or
(7) reviewed any research regarding what kinds of
(8) promotions enhanced desired brand imagery?
(9) A: No, I have not.
(10) Q: Looking at Issue Number 6, which says:
(11) (Reading)
(12) What impact does change
(13) in Camel's promotion strategy
(14) in 1990 to all pack promotions
(15) have on share of market and
(16) share of smoker performance?
(17) Have you ever conducted, supervised, or
(18) reviewed any research on that topic?
(19) A: I have been involved in doing research on
(20) promotion impact on share of market in the
(21) marketplace, overall share of market.
(22) Q: Did any of that research involve the Camel
(23) brand?
(24) A: It's involved all of our brands, yes.
(25) Q: Regarding the Camel brand, in the period

(1) call them carton promotions or pack promotions,
(2) depending on whether you're promoting a carton sale
(3) or a pack - less than a carton, pack sales.
(4) Q: Could you give me an example of a pack
(5) promotion.
(6) A: A pack promotion could be something like:
(7) Buy two packs/get one free.
(8) Q: Does that also include a gift, such as a
(9) utilitarian item that would be attached to the pack?
(10) A: There are promotions like that that are pack
(11) promotions on occasion.
(12) Q: Those are considered pack promotions?
(13) A: It could be. If it's buy two packs/get a
(14) free lighter, that would be considered a pack
(15) promotion.
(16) Q: Are there any general conclusions that can
(17) be drawn regarding whether pack promotions such as
(18) buy two/get one free have any effect on share of
(19) market?
(20) A: I wouldn't say there are any general
(21) conclusions that can be drawn, no.
(22) Q: Are there conclusions - are there general
(23) conclusions that can be drawn regarding that type of
(24) offer's effect on the share of market for certain
(25) brands?

52189 5159

Page 216

Page 218

(1) MR. WILLIAMS: Counsel, you're going to have
(2) to give him a specific question.

(3) THE WITNESS: The conclusions that can be
(4) drawn are not general conclusions.

(5) BY MS. SAMUELS:

(6) Q: Are you aware of any studies or research
(7) involving the Camel brand that looked at the effect
(8) of pack promotions, such as buy two/get one free, on
(9) share of market for the Camel brand?

(10) A: During what time period are we discussing?

(11) Q: The period from 1987 to the present.

(12) A: I am aware of some that have occurred in the
(13) last three to four years, since about 1995 or '6 -
(14) '95, I believe.

(15) Q: Do you know how many?

(16) A: We periodically annually kind of try to
(17) update our learning regarding what's going on in the
(18) marketplace and the impact of promotions among other
(19) things.

(20) Q: Who prepares those reports?

(21) A: The group that I currently am responsible
(22) for.

(23) Q: Is there anyone in particular in that group
(24) who does the reports for the Camel brand?

(25) A: No. They're not done specifically for a

(1) Q: Anyone else?

(2) A: No.

(3) Q: Okay. Looking at Issue Number 9 on this
(4) page, which says: (Reading)

(5) What drives a Marlboro
(6) younger adult smoker to
(7) interact with Camel and
(8) when/why does that
(9) interaction increase versus
(10) decrease?

(11) Have you ever conducted, supervised, or
(12) reviewed any research or reports involving that
(13) topic?

(14) A: No. No, I have not.

(15) Q: Looking at Number - Issue Number 11, which
(16) states: (Reading)

(17) Is Camel's geographic
(18) development driven by its
(19) development among younger
(20) adult smokers?

(21) Have you ever conducted, supervised, or
(22) reviewed any research on that topic?

(23) A: No, I have not.

(24) MS. SAMUELS: I'd like to have this marked
(25) as Moore Exhibit 17.

Page 217

Page 219

(1) brand. They're done for all of our brands.

(2) Q: What are those reports called?

(3) A: I'm sorry?

(4) Q: Do those reports have a name?

(5) A: Not a specific name. It's - at different
(6) times we focus on different things, depending on
(7) what seems to be new learning, any new learning that
(8) we've developed about the impact, as I mentioned, of
(9) promotions, as well as other factors in the
(10) marketplace.

(11) Q: How do you refer to them in the ordinary
(12) course of business?

(13) A: Retail factors affecting business
(14) performance.

(15) Q: And how often are those prepared?

(16) A: There's no specific timetable. It's just
(17) when - you know, when we, in the course of our
(18) analyses, find something that we think would be of
(19) interest or benefit in terms of learning about
(20) what's going on in the marketplace.

(21) Q: And to whom are the reports that you
(22) referred to as "retail factors affecting business
(23) performance" distributed to?

(24) A: Typically to marketing and sales management
(25) primarily.

(1) (Moore Deposition Exhibit Number 17 was
(2) marked for identification.)

(3) BY MS. SAMUELS:

(4) Q: Mr. Moore, I'm handing you what's been
(5) marked Moore Exhibit 17. It's entitled "Strategic
(6) Overview of YAS." It's been marked CX-668 and bears
(7) the Reynolds Bate number 50718 1169.

(8) Have you ever seen this document before?

(9) A: No, I don't believe I've seen this document
(10) before.

(11) Q: Have you ever seen any document regarding a
(12) strategic overview?

(13) MR. WILLIAMS: Of what?

(14) MS. SAMUELS: Of anything.

(15) MR. WILLIAMS: He's in strategic planning.
(16) He had to have seen a lot of documents of strategic
(17) overviews.

(18) MS. SAMUELS: Mr. Moore?

(19) MR. WILLIAMS: What is the question,
(20) Counsel? Has he ever seen a document entitled
(21) "Strategic Overview"?

(22) MS. SAMUELS: Yes.

(23) THE WITNESS: Strategic overview? Don't
(24) recall having seen anything with that specific title
(25) on it.

52189 5160

Page 220

Page 222

BY MS. SAMUELS:

Q: Do you have any idea which department within Reynolds produced this document?

A: No, I don't.

Q: I'd like to direct your attention to the second page of the document. There's a list of major studies and some of the - the studies listed are: (Reading)

Strategic Initiatives,

YAS Resource Allocation,

Marlboro Analysis, FUBYAS

Study, Less Educated Smokers,

Smoker Personality Study,

Historical New Brand (I

assume) Opportunity, Tracker

Data, and Focus Groups.

MR. WILLIAMS: What's the question?

BY MS. SAMUELS:

Q: Are you aware of any study involving strategic initiatives?

A: No.

Q: Are you aware of any studies regarding YAS resource allocation?

A: No.

Q: Are you aware of any studies regarding

involving FUBYAS?

A: That's the only research I'm aware of.

Q: Are you aware of any study entitled "Less Educated Smokers"?

A: No.

Q: Are you aware of any research involving less educated smokers?

A: No, I'm not.

Q: Are you aware of any study entitled "Smoker Personality Study"?

A: No.

Q: Are you aware of any research involving smoker personalities?

A: No, I'm not.

Q: Are you aware of any study entitled "Historical New Brand Opportunity"?

A: Nothing with that title, no.

Q: Are you aware of any research involving historical new brand opportunities?

A: I'm aware of research that - or analyses that were done of brands that had been introduced in the marketplace and what their performance had been and trying to separate the performance of those that had succeeded versus those that had failed.

MS. SAMUELS: I'd like to have this document

Page 221

Page 223

Marlboro analysis?

A: There were lots of Marlboro analyses. It's a key competitor.

Q: Were you involved in preparing any studies regarding Marlboro analysis?

A: In terms of share of market performance and forecasting and projecting and things of that nature.

MR. WILLIAMS: Counsel, is your question is there anything in particular - any particular study called Marlboro Analysis, or whether Reynolds is involved in analyzing Marlboro, which he's indicated it's a major competitor? What are you asking?

MS. SAMUELS: My first question is the one that he already answered, that he has been involved in studies regarding analyses of Marlboro.

BY MS. SAMUELS:

Q: My next question will be: Are you aware of any specific study entitled "Marlboro Analysis"?

A: No.

Q: Are you aware of any study entitled "FUBYAS Study"?

A: I'm aware of the work that Diane Burrows did on - that we discussed yesterday, I believe.

Q: And are you aware of any other research

marked Moore Exhibit 18.

(Moore Deposition Exhibit Number 18 was marked for identification.)

BY MS. SAMUELS:

Q: Mr. Moore, I'm handing you what has been marked as Moore Exhibit Number 18. It also bears the CX Number 230 and the Reynolds Bates Number 50245 7674. It's entitled "10-Year Cigarette Forecast 1975 to 1985, Trends In Cigarette Smoking Behavior."

Have you ever seen this document before?

(Witness reviews document.)

A: I don't believe I've ever seen this document before.

Q: Was there a specific department within Reynolds that would have produced the 10-Year Cigarette Forecast 1975 to 1985?

MR. WILLIAMS: You asked him if he's ever seen this before. You want to know, to the best of his knowledge, who produced this document? Yes?

MS. SAMUELS: No.

MR. WILLIAMS: Okay. Don't answer that one.

BY MS. SAMUELS:

Q: I want to know, to the best of your knowledge, if there was a department within Reynolds

52189 5161

Page 224

(1) that would have produced a 10-year cigarette
(2) forecast?
(3) A: That could have been the forecast group. It
(4) could have been the long-range strategic planning
(5) group that had this done. Those would have been the
(6) only two that I would be familiar with.
(7) Q: Who would be the best person at Reynolds to
(8) ask which department produced this document?
(9) A: The best person today to ask that?
(10) Q: Yes.
(11) A: I don't know if there's anyone there that
(12) could answer that question.
(13) MR. WILLIAMS: Why don't you find out if he
(14) knows who produced it.
(15) THE WITNESS: I do not know who produced
(16) this document.
(17) MR. WILLIAMS: Sorry. Just trying to help.
(18) MS. SAMUELS: Okay. I'd like to take a
(19) ten minute break.
(20) We can go off the record.
(21) (Recess taken from 11:08 a.m. to 11:21 a.m.)
(22) BY MS. SAMUELS:
(23) Q: Mr. Moore, did Reynolds ever do any research
(24) or studies to determine whether any aspect of the
(25) Joe Camel campaign might be attractive to kids?

Page 225

(1) A: No, not to my knowledge.
(2) Q: Are you aware of any research prepared
(3) for Reynolds to determine whether any aspect of
(4) the Joe Camel campaign might be attractive to
(5) kids?
(6) A: No.
(7) MS. SAMUELS: I have no further questions.
(8) MR. WILLIAMS: Okay.
(9) MS. SAMUELS: Do you have any questions,
(10) Mr. Williams?
(11) MR. WILLIAMS: Not now. We'll reserve
(12) signature.
(13) MS. SAMUELS: Mr. Moore, you have the
(14) right to read the transcript and make changes if
(15) you wish. If you wish, you can also waive that
(16) right.
(17) If you do decide to make changes to the
(18) transcript, we, as complaint counsel, are allowed
(19) to comment on those changes and, perhaps, seek to
(20) reopen the deposition to explore those changes
(21) further.
(22) THE WITNESS: Okay.
(23) MR. WILLIAMS: I actually do have one point
(24) of clarification. It was unclear to me yesterday,
(25) and so I do want to clarify this.

Page 228

EXAMINATION
BY MR. WILLIAMS:

(1) Q: Mr. Moore, do you know when the Tobaccoville
(2) facility was constructed?
(3) A: Well, the construction was over a long
(4) period of time. I believe it started in the
(5) production - first production was somewhere around
(6) 1986 or '7. You know, it was some - sometime after
(7) we began producing that long-term forecast, which
(8) was in the early '80s, you know. And the time that
(9) it took to actually construct and get the facility
(10) up and operational was several years.
(11) MR. WILLIAMS: All right. Thank you.
(12) Nothing further.
(13) (Signature reserved)
(14) (Deposition concluded at 11:24 a.m.)
(15)
(16)
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(24)
(25)

Page 227

CERTIFICATION OF REPORTER

(1) DOCKET/FILE NUMBER: D09285
(2) CASE TITLE: R.J. REYNOLDS TOBACCO COMPANY
(3) HEARING DATE: JUNE 4, 1998
(4)
(5)
(6)

(7) I HEREBY CERTIFY that the transcript contained
(8) herein is a full and accurate transcript of the notes
(9) taken by me at the hearing on the above cause before
(10) the FEDERAL TRADE COMMISSION to the best of my
(11) knowledge and belief.
(12) DATED: JUNE 5, 1998
(13)
(14)
(15)
(16)

ELIZABETH S. GIRVAN

CERTIFICATION OF PROOFREADER

(17) I HEREBY CERTIFY that I proofread the
(18) transcript for accuracy in spelling, hyphenation,
(19) punctuation, and format.
(20)
(21)
(22)
(23)
(24)
(25)

CRYSTAL WENDT

Page 228

CERTIFICATE OF DEPONENT

(1)
(2)
(3)

I hereby certify that I have read and examined
(4) the foregoing transcript, and the same is a true and
accurate record of the testimony given by me.

(5)

(6) Any additions or corrections that I feel are
necessary, I will attach on a separate sheet of paper
(7) to the original transcript.

(8)
(9)

(10)
(11)

I hereby certify that the individual
(12) representing himself/herself to be the above-named
individual, appeared before me this

(13)

day of _____, 1998, and executed

(14)

the above certificate in my presence.

(15)
(16)

NOTARY PUBLIC IN AND FOR

(17)
(18)

(19)

(20) MY COMMISSION EXPIRES:

(21)
(22)
(23)
(24)
(25)

Page 229

(1) WITNESS: Jerry R. Moore (Volume II)

(2) DATE: June 4, 1998

(3) CASE: D09285

(4) Please note any errors and the corrections thereof on
this errata sheet. The rules require a reason for
(5) any change or correction. It may be general, such as
"To correct stenographic error," or "To clarify the
(6) record," or "To conform with the facts."

(7)

(8) PAGE LINE CORRECTION REASON FOR CHANGE

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52189 5163

<p>0</p>	<p>1984 159:19 1985 223:9, 17 1986 226:8 1987 141:17; 150:8; 216:11 1988 132:6; 150:8; 201:4; 204:6, 8 1989 204:7, 7, 12, 20 1990 210:3; 213:14; 214:1 1995 214:5; 216:13 1998 227:5, 12</p>	<p>50079 179:8; 188:18; 190:20 50134 156:21 50144 174:14 50203 205:6; 207:18 50245 223:8 50263 159:13 50301 192:10; 193:12 50374 186:13 50718 219:7 50731 210:2 50747 199:18; 202:6 5163 159:13</p>	<p>access 146:12, 13; 147:16; 197:21 accessible 145:22 According 195:9 account 166:5; 190:6 accuracy 227:20 accurate 227:8 acquire 178:15 acquiring 178:14 activities 187:15, 19 activity 210:12, 20 actually 134:15; 136:17; 153:23; 176:15, 25; 181:10; 189:7; 225:23; 226:11 Addendum 188:19, 25; 189:5 additional 152:4 addressed 160:20 adopters 211:19; 212:1 Adult 133:23; 135:11; 147:25; 150:25; 152:23; 153:5, 20; 154:17, 20; 155:2, 19, 25; 156:3; 157:4, 16, 25, 25; 158:2, 5, 6; 159:18; 161:5, 13; 162:4; 167:11; 168:3, 19; 171:11; 179:11; 180:17; 181:15; 183:10, 23; 184:22; 188:20; 190:23; 191:5; 195:22; 201:15; 202:14, 17, 18; 205:4; 206:25; 212:19; 218:6, 20 Adults 133:19; 201:18; 208:18 advertising 164:23; 165:6, 8 advise 167:7 advised 167:20 affect 177:10; 178:2 affecting 217:13, 22 again 131:7; 141:21; 161:20; 167:23; 183:24; 199:5; 200:12; 209:2 age 137:11; 167:12, 21; 168:17, 20; 169:7, 14; 173:2, 3, 6, 15, 21; 178:21; 194:7, 24; 195:6; 200:13; 201:6, 14; 202:12; 208:8, 18 Age/Sex 193:11 Aged 172:19 Agemix 199:18; 200:5, 9, 16; 203:25 agencies 165:8 agency 164:23; 165:6 aging 200:15 ago 171:9, 9, 13, 16, 24; 175:24 agree 196:2, 4, 7 ahead 153:9; 177:13 aid 187:17, 24 Allocation 220:10, 23 allowed 225:18 along 144:11</p>	<p>already 143:5; 156:4; 158:21; 163:6; 173:16; 175:11; 182:9; 184:25; 193:25; 194:12; 221:15 among 174:16; 177:5, 9, 25; 178:22; 194:6, 15; 210:14, 21; 212:18; 216:18; 218:19 amount 144:21 analyses 169:5, 13, 21; 170:7, 10; 171:24; 217:18; 221:2, 16; 222:20 Analysis 205:4; 220:11; 221:1, 5, 11, 19 analysts 182:15 analyze 189:3 analyzing 221:12 Anita 147:10 annual 141:8; 208:3 annually 216:16 answered 180:7; 181:23; 183:5; 185:11, 18, 25; 221:15 anybody 139:20 anyone 138:2, 10; 141:14; 142:19; 145:22; 146:4, 10, 17; 154:6; 156:10; 165:25; 197:25; 207:15; 216:23; 218:1; 224:11 apologize 133:5; 136:17 appear 197:17; 198:7; 203:14; 209:15 appears 138:17; 192:14; 200:16; 204:6 apply 131:13 approximately 132:6; 185:21; 206:12 April 163:21; 164:14; 165:11; 192:20 area 134:22; 135:1; 145:21; 146:1, 14; 153:15 area's 133:8 areas 134:19 around 132:7; 144:24; 155:14; 158:7, 19, 25; 171:8; 172:9, 18; 175:1; 181:5; 191:23; 192:19; 201:23; 214:1; 226:7 aspect 224:24; 225:3 assigned 176:16 assignment 176:17 associated 135:20 assume 144:5; 206:13; 220:15 assumes 153:15 assuming 154:15; 168:16; 202:18 Assumptions 200:20 attached 189:1, 2; 215:9 attempt 137:18 attempted 171:21 attendance 206:18, 21; 207:13 attended 206:11, 25</p>
<p>1</p>	<p>10 188:10, 11, 15 10-Year 223:8, 16; 224:1 100 201:17 11 150:23; 190:13, 14, 18; 218:15 1169 219:7 11:08 224:21 11:21 224:21 11:24 226:16 11th 154:11; 157:5, 20 12 192:3, 4, 6 13 172:19; 173:15, 21; 193:3, 4, 8 1370 193:12 1398 193:10 14 137:12; 146:7; 147:25; 167:14; 168:2, 16, 21; 173:3, 6, 11; 176:1; 197:23; 199:11, 12, 16; 208:11 14-17 135:25; 179:10; 186:17; 188:20; 190:23 15 168:21; 204:23, 24; 205:3 16 168:21; 209:21, 22; 210:1 17 137:12; 146:8; 147:25; 168:2, 22; 173:1; 197:23; 208:11; 218:25; 219:1, 5 18 158:6; 168:2, 22; 201:2, 6, 13; 202:15, 17, 19, 19; 208:8, 16, 18; 223:1, 2, 6 18-plus 201:8, 11; 208:5, 16 18th 133:21; 146:2, 4; 137:9; 179:9, 16; 189:23 1971 140:9; 163:21, 21; 164:12, 14; 165:1, 11, 12; 166:1, 14; 169:16 1975 201:8, 12; 223:9, 17 1976 140:9 1977 141:1 1980 133:19, 21; 134:10, 10; 136:2, 5, 18, 24; 137:9; 141:2, 17; 142:16; 145:18; 150:23; 151:11; 155:13; 156:22; 157:5; 158:8, 15, 20; 174:15; 175:2, 25; 179:9, 16; 181:6; 182:5; 183:8; 185:22; 186:15; 188:16; 189:1, 23; 190:21; 191:12, 22 1980s 206:3 1982 192:12, 20; 193:9; 196:19; 207:19, 22; 209:7 1983 191:13; 206:6; 209:7, 9</p>	<p>2 133:12, 13; 142:22; 147:22; 148:4; 168:7; 178:25; 179:22; 200:19, 19 20 168:16, 22; 202:17, 19 21 168:13 21st 174:11 22nd 156:22; 158:8, 15, 19; 186:13 230 223:7 24 158:5; 201:6, 13; 202:15; 209:20 2446 199:18 2450 202:6 25 201:6, 23 27 193:9; 196:19 29th 190:21; 191:22</p>	<p>6 163:14, 15, 19; 172:17; 213:10; 216:13 6299 133:20</p>	<p>6</p>
<p>2</p>	<p>2 133:12, 13; 142:22; 147:22; 148:4; 168:7; 178:25; 179:22; 200:19, 19 20 168:16, 22; 202:17, 19 21 168:13 21st 174:11 22nd 156:22; 158:8, 15, 19; 186:13 230 223:7 24 158:5; 201:6, 13; 202:15; 209:20 2446 199:18 2450 202:6 25 201:6, 23 27 193:9; 196:19 29th 190:21; 191:22</p>	<p>7 163:21; 165:11; 174:7, 8, 12; 226:8 7108 163:23 75th 149:14 7674 223:8</p>	<p>7</p>	<p>7</p>
<p>3</p>	<p>3 150:17; 148:22; 156:13; 210:9 30th 159:19 31st 189:19 3345 205:6 3348 207:18 34 201:7</p>	<p>8 179:2, 3, 7, 20; 180:2, 3, 14; 181:14; 182:19, 23; 183:3 80 201:4 80s 148:16; 171:23; 172:9; 206:6; 226:10 82 201:15 85 201:4 8558 186:13 8692 210:2</p>	<p>8</p>	<p>8</p>
<p>4</p>	<p>4 156:14, 16, 20; 169:4; 209:8; 211:10; 227:5 4437 174:14 45 186:7 4747 190:20 4821 179:8 4841 188:18</p>	<p>9 186:3, 4, 12; 218:3 9/27/82 198:5 95 216:14 9:38 186:9 9:50 186:9 9th 192:12, 20</p>	<p>9</p>	<p>9</p>
<p>5</p>	<p>5 159:6, 7, 11; 212:3, 16; 227:12 5.21 198:6, 22 500 163:25 50034 163:23 50068 133:20</p>	<p>a.m 186:9, 9; 224:21, 21; 226:16 able 203:25 above 138:16; 189:4; 227:9 absolute 191:17 absolutely 137:16; 146:10; 158:4; 177:11, 20</p>	<p>A</p>	<p>A</p>

attention 135:4; 190:25;
194:4; 195:18; 202:4;
207:16; 210:8; 220:5
attorneys 187:6, 6
attractive 150:11;
224:25; 225:4
audience 140:17; 141:23
August 141:1, 2; 192:12
author 193:25; 199:21
available 145:20; 176:12;
197:20, 25; 208:6
award 199:1, 1; 150:4, 9,
14, 15; 164:16, 21, 23;
165:1; 167:25; 168:3;
169:21; 170:3, 10; 173:1,
4, 16; 17, 18; 214:8; 216:6,
12; 220:19, 22, 25; 221:18,
21, 23, 25; 222:2, 3, 6, 9,
12, 13; 223:20; 225:2
awareness 212:21
away 143:24; 144:2

b 167:12; 168:15
B-2 172:18
back 143:2; 153:24;
172:16; 178:24; 198:3;
212:16
Barry 146:25; 147:6, 18
base 146:6; 171:19;
203:3
based 168:13, 15;
171:11; 200:23
basis 133:8; 176:11;
203:11; 208:5, 6, 14
Bate 159:13; 219:7
Bates 156:21; 163:23, 24;
164:1; 174:13; 179:8;
186:13; 188:18; 190:19;
192:9; 193:12; 199:17;
202:5; 205:5; 210:2; 223:7
bears 153:29; 156:20;
199:17; 201:5; 210:2;
219:6; 223:5
become 211:14
becomes 211:22
began 191:11; 226:9
begin 152:6; 153:11
beginning 180:25;
185:21; 214:5

Behavior 223:10
belief 171:19; 227:11
believe 131:23; 132:7,
14; 134:14, 15, 22; 136:15;
143:19; 146:25; 147:6, 10;
148:18; 154:1; 156:11;
157:20; 161:9; 166:22;
172:4, 20; 176:15, 23;
179:23; 181:20; 182:5;
183:12, 15, 24; 185:7;
190:9; 191:13; 196:11, 20;
205:11, 22; 206:4; 207:4,
12, 20; 208:4, 4; 209:3;
214:5, 25; 216:14; 219:9;

221:24; 223:13; 226:6
believes 160:7, 13
below 163:4
Benefit 202:25; 217:19
Besides 137:23; 143:19
best 189:22; 198:21;
199:1; 203:19, 22; 205:15;
223:19, 24; 224:7, 9;
227:10
beyond 139:11
big 139:17
Birthday 149:14
Bob 195:16
bordering 185:1
both 152:8; 158:2; 177:3;
178:4; 193:20, 22
bottom 134:21; 167:3;
169:3; 193:9
box 178:9, 15
boys 177:5, 8, 9
brand 148:19; 149:1;
163:11; 172:15; 177:15,
24, 25; 178:8, 8, 16, 16,
21, 22; 206:24; 210:13, 15,
21, 25; 211:14, 6; 212:9,
22; 213:4, 8, 23, 25; 216:7,
9, 24; 217:1; 220:14;
222:16, 19
brand 212:25, 12, 21
brander 211:15, 22
brands 170:12, 20;
171:4; 172:18; 189:4, 8, 9,
11, 14; 212:24; 213:24;
214:11; 215:25; 217:1;
222:21
break 186:7; 224:19
breaks 166:21
broad 153:15; 214:18
building 187:23; 206:10
bullet 193:3
Bureau 207:21
Burrows 192:11; 193:10,
21; 194:12; 196:18;
198:10; 199:5; 203:24;
205:22; 206:24; 221:23
business 132:16;
153:19; 166:3; 217:12, 13,
22
Buy 215:7, 13, 18; 216:8
by-product 135:11

call 215:1
called 164:13, 21, 23;
217:2; 221:11
calls 142:24
came 164:12; 184:11, 18
Camel 148:12, 15, 19, 25;
149:1, 5, 8, 11, 21, 24;
150:2, 10; 169:6, 6, 13, 13,
22, 22; 170:3, 7, 7, 14, 14;
171:25; 172:2, 5, 10;
189:9, 10; 190:5; 202:9;

210:4; 211:13, 22; 213:4,
22, 25; 216:7, 9, 24; 218:7;
224:25; 225:4
Camel's 213:13; 214:1;
218:17
campaign 149:11, 18;
224:25; 225:4
Can 132:19; 133:5;
138:23; 139:1, 16, 21;
144:23; 150:13; 155:5;
158:18; 170:23; 173:5, 20;
187:23; 196:11; 199:22;
214:9; 215:16, 21, 23;
216:3; 224:20; 225:15
canvassed 184:3
capacity 147:3
Cards 172:21; 173:11, 14
carton 214:25; 215:1, 2, 3
case 188:5, 7; 227:4
cases 158:2
category 137:13
cause 227:9
caused 151:17
cc 195:12
cc'd 134:20
cells 167:9
Census 207:21
center 144:14, 17; 145:5,
6, 8, 13, 22; 146:16, 23;
147:4; 197:14, 14, 17, 20
certain 138:18; 139:4, 9;
215:24
Certainly 139:7; 144:11;
157:16; 159:21; 165:7;
167:1; 184:11, 13; 191:11;
197:17, 22
certainty 191:18
CERTIFICATION 227:1,
17
CERTIFY 227:7, 19
ch 198:10
chance 174:18; 179:12
change 167:20; 168:17;
170:24; 186:21; 210:16;
213:12; 214:1
changes 140:5; 142:15;
210:11, 19; 211:1, 2, 6;
225:14, 17, 19, 20
character 149:12, 15
characterization 142:24
chart 194:5, 8, 11
cigarette 172:22; 223:8,
9, 17; 224:1
cigarettes 178:12; 195:7;
201:2, 14; 214:25
claimed 210:13, 14, 20,
25; 211:4, 5, 14, 22
clarification 225:24
clarify 137:18; 147:19;
154:22; 225:25
clarifying 137:21
clear 137:16; 148:8;
158:4; 190:2
clue 204:1

Code 198:6, 12, 16, 22;
199:6
codes 198:18
collaborative 135:23;
136:1; 138:5
collect 173:6
collected 173:10, 22;
208:7, 11
collecting 173:1
column 202:21
coming 167:24
comment 225:19
COMMISSION 227:10
Committee 184:14
communicate 196:21;
197:6
communication 152:8
communications
152:12; 165:25
company 134:19, 23;
135:3; 139:6, 7; 141:10,
13, 23; 164:21; 165:1;
166:14; 178:19; 189:9;
203:10; 214:7; 227:4
comparison 176:11
competitor 221:3, 13
complaint 225:18
complete 168:9
compound 150:12
concern 150:9
concerned 176:4
Concerning 163:21;
165:11
conclude 177:4
concluded 226:16
conclusion 139:1;
196:17
conclusions 177:2, 8;
196:12; 197:1; 214:8;
215:16, 21, 22, 23; 216:3,
4
conduct 149:4, 20;
212:25
conducted 161:15;
171:25; 200:8; 210:17, 23;
211:20, 24; 212:10, 14;
213:6, 17; 218:11, 21
confidence 176:13
conjunction 181:9
consecutive 198:7
consequence 197:2
considered 215:12, 14
consistent 157:21
construct 226:11
constructed 226:4
construction 226:5
consult 150:1
consultants 204:18
consumer 212:18
Consumption 195:2
contain 157:15
contained 227:7
contains 194:14

contesting 160:6, 14
context 138:25; 148:17;
165:5
continue 156:6; 170:16
continuing 170:23
conversations 166:3
Conversion 202:25
copied 140:16; 142:17;
182:12
copies 144:14; 162:25;
163:3, 5; 174:16
copy 135:24; 138:5;
145:13; 164:5; 179:14, 17;
197:16, 18
corner 175:3; 198:4
correcting 187:18, 25
correspondence 166:8
cost 171:6
Counsel 136:23; 144:18;
147:19; 175:10; 177:13;
181:21; 182:20; 183:5;
185:3; 199:1, 22; 201:25;
205:18; 216:1; 219:20;
221:9; 225:18
count 172:23
country 144:25
couple 182:14
course 131:11; 132:16;
144:21; 153:19; 158:14;
177:20; 187:1, 3; 198:11;
217:12, 17
court 153:23
cover 147:23; 148:9;
181:21
created 203:23
creating 212:21
critical 178:18
CRYSTAL 227:25
current 214:7
currently 201:20;
208:21; 216:21
customized 212:18
cut 171:6
CX 223:7
CX-198 199:17
CX-63 179:8
CX-64 133:19; 148:6
CX-642 210:1
CX-65 186:12
CX-657 205:5
CX-66 188:18
CX-668 219:6
CX-76 159:12
CX-777 174:13
CX-792 190:19
CX-811 192:9
CX-819 193:11

D
D.S 193:9
D09285 227:3

data 131:20; 135:10, 13;
137:1, 14, 20; 165:17, 23;
166:2, 17; 167:2, 11;
168:2, 4; 169:25; 170:3, 5;
171:7, 11, 17; 173:2, 6, 10;
176:5, 12; 184:4, 8, 10;
197:23; 204:8; 207:24;
208:11, 17, 23, 25; 209:16;
220:16
data-collection 166:7
database 166:6
date 151:10; 158:14, 24;
159:3; 179:14, 15; 181:7;
191:22, 23, 24; 192:20;
198:5, 12; 203:21, 22;
227:5
dated 133:21; 150:23;
156:21; 158:14; 159:19;
174:14; 179:9; 186:15;
188:16; 192:12;
193:9; 227:12
Davis 195:12, 16
day 201:2, 7, 11, 15;
208:1
days 159:3
DBS 195:12
deal 139:17
dealing 166:10
decide 225:17
decided 182:25
decision 146:6
Decisions 163:20;
165:10; 184:14
decrease 218:10
define 138:22; 139:14;
149:10; 192:13; 214:11
defined 152:10; 157:6;
202:13
definition 202:16
department 132:17;
134:15, 16; 138:9; 139:12;
141:16; 146:3; 161:16;
163:4; 164:10; 13, 16;
176:4; 180:10; 184:4;
186:19, 22; 197:9, 11;
204:12; 220:17; 223:15, 25;
224:8
department's 132:18
departments 204:15
depend 141:3
depending 215:2; 217:6
deposed 189:6; 193:22
Deposition 133:13;
150:18; 156:16; 159:7;
163:15; 174:8; 179:3;
186:4; 188:4, 6, 8, 11;
190:14; 192:4; 193:4;
199:12; 204:24; 205:19;
209:22; 219:1; 223:2;
225:20; 226:16
desired 212:9; 213:8
destroy 143:24
destroyed 144:3
determination 145:25
determine 224:24; 225:3
determines 178:20

develop 152:10; 184:2;
189:12
developed 217:8
developing 180:22;
184:5, 7
development 186:18;
197:16; 218:18, 19
Diane 192:11; 193:21;
197:25; 198:9; 199:8;
205:22; 221:23
Diane's 196:16
Dick 138:7; 205:23
difference 157:24; 158:4;
177:24
Differences 175:14, 18;
176:23; 177:14; 178:21
different 171:4; 177:1;
178:10, 11; 16, 21; 194:7;
207:2, 4; 217:5, 6
direct 135:4; 155:23;
156:2, 7; 190:23; 194:4;
195:18; 197:4; 202:4;
203:6; 207:16; 210:8;
220:5
directed 142:17
direction 134:2
directly 166:9
director 141:18; 163:5
Directors 163:7, 10
disagree 196:4
disagreed 197:5
disagreement 196:21;
197:7
discarded 144:10, 12
discontinued 169:11
discovered 184:8
discussed 163:23;
168:4; 180:10; 189:6;
200:13; 202:15; 206:23;
208:9; 209:11; 221:24
discussing 147:11;
148:9; 216:10
discussion 144:21
dispose 143:24
disposed 144:2
distribute 138:25;
139:24; 140:11; 142:13
distributed 138:20, 22;
139:6, 11, 15, 16; 140:13;
141:4, 20; 142:18; 143:9;
160:4; 174:17; 192:15;
217:23
distributes 138:23;
139:19, 21
distribution 161:22;
162:9, 13
DOCKET/FILE 227:3
Document 133:15, 17;
24; 134:5, 7, 21; 135:5;
136:18; 138:15; 145:13;
146:1; 147:11, 16, 20;
150:16, 22; 151:4, 6, 9;
156:25; 157:10; 159:14;
20; 162:22; 163:13, 19;
164:7, 14; 165:10; 167:4,

16, 24; 168:7; 169:3;
172:17; 173:8; 174:2, 20,
22; 175:4; 176:20; 179:2,
18; 180:13; 186:24;
190:12; 191:1, 19; 192:2,
16, 21; 193:2, 14, 20, 20;
194:1, 6; 195:12, 12;
196:13; 197:19; 198:4, 8;
199:10, 20, 23, 25; 200:1;
202:7; 204:7, 10, 22;
205:7, 8; 207:17; 209:21;
210:5, 6; 219:8, 9, 11, 20;
220:3, 6; 222:25; 223:11,
12, 13, 20; 224:8, 16
documents 144:24;
145:2, 5; 146:17; 185:21;
193:22; 198:19; 219:16
domestically 201:24;
202:1
done 156:23; 172:5;
191:7, 9; 201:5; 216:25;
217:1; 222:21; 224:5
down 178:7
draft 135:19
drafts 144:6, 8, 10;
180:13
draw 139:1; 196:12
drawn 214:9; 215:17, 21,
23; 216:4
driven 218:18
drives 218:5
drugs 131:16
drying 195:24
DSB 198:9
Duffy 179:10, 24; 182:9;
183:1, 11; 185:2; 188:16;
190:22
duly 131:5
during 155:9; 166:1, 18;
169:23; 170:23; 175:20;
180:9; 191:11; 216:10

E

E-S-T-Y 164:22
E.A 186:14
E.J 159:17
E.N 159:17
earlier 136:16; 180:20;
189:6
early 172:9; 206:6;
226:10
Educated 220:12; 222:4,
7
Effect 194:19; 195:2;
214:9; 215:18, 24; 216:7
effort 135:12, 23; 136:1,
25; 138:5
either 146:18; 159:2;
176:10; 205:22
Elasticity 194:6, 15
elements 212:20
ELIZABETH 227:15
Ellen 151:12; 166:21
else 135:20; 138:2, 10;

141:14; 142:19; 146:4, 11;
154:7; 156:10; 157:10;
163:25; 196:5; 204:10;
207:15; 218:1
emphasized 161:20;
162:2, 8
employee 145:12
enhance 212:9
enhanced 213:8
entitled 133:22; 163:20;
175:14; 194:6, 18; 199:18;
202:8, 22; 205:3; 210:3;
219:5, 20; 221:19, 21;
222:3, 9, 15; 223:8
equals 201:17
equipment 178:14
established 140:5;
142:9; 143:5; 155:12
estimate 201:1; 203:9
Estimates 175:15, 15,
19, 19; 194:14; 201:1;
207:21
Esty 164:21, 24; 165:5
etc 177:7
evaluating 167:6
even 136:10; 144:13;
155:24; 177:16; 183:12
event 157:9
every 198:7
everybody 142:25
everyone 139:6, 7;
157:21
Ex 172:10
exact 151:15; 158:14, 24;
181:7; 191:8, 16; 209:12
exactly 131:23; 136:14;
182:16; 207:6
EXAMINATION 131:17;
226:1
examine 137:14
examined 131:5
example 142:16; 145:18;
178:9; 194:18; 215:4
except 146:19; 168:20;
197:15
Excise 196:15
excluding 172:14
excuse 137:2; 160:23
executive 134:18;
141:12; 184:14
exercise 182:25
Exhibit 133:12, 13;
142:21; 147:22; 148:4;
150:17, 18, 22; 156:13, 14,
16, 20; 159:6, 7, 11;
163:14, 15, 19; 172:17;
174:7, 8, 12; 178:25;
179:2, 3, 7, 20, 22; 180:2,
3, 14; 181:14; 182:19, 23;
183:3; 186:3, 4, 12;
188:10, 11, 15; 190:13, 14,
18; 192:3, 4, 8; 193:3, 4, 8;
199:11, 12, 16; 204:23, 24;
205:3; 209:21, 22; 210:1;
218:25; 219:1, 5; 223:1, 2,

6
existed 178:17; 207:25;
208:10, 17
expansion 187:24
explain 145:10; 194:8
explore 225:20
explored 205:18
expressed 150:10

F

F 227:1, 17
F.E.T 192:14
facilities 184:16; 187:24
facility 178:5, 6; 226:4, 11
Fackelman 154:3;
159:17
fact 144:13; 193:25
factors 217:9, 13, 22
failed 222:24
fall 187:16, 21
familiar 164:9; 165:22;
172:10; 207:22; 224:6
February 174:14; 175:2
Federal 196:15; 227:10
feel 193:14
few 134:1; 151:1; 159:3
fewer 194:23; 195:7
fifteen 160:8
File 133:19; 144:16, 19;
145:6, 11
filed 197:13, 18
Filter 169:7, 13, 22;
170:8, 14
financial 141:9, 15, 15
find 145:13; 217:18;
224:13
Findings 190:4
fine 133:6; 153:8
finished 143:22; 144:11;
157:1; 174:21; 179:19;
194:2
first 133:17; 135:5; 136:8,
9, 10, 12, 18; 143:13;
148:14; 149:7, 16; 155:11;
161:18; 167:3; 172:16;
175:25; 179:21; 183:9, 21;
185:5; 188:1, 23; 189:11,
15; 190:3, 3; 191:1;
193:13, 17; 194:5; 198:3;
200:18; 204:7; 206:24;
221:14; 226:7
fit 137:12
five 143:8; 171:9; 214:5
focus 217:6; 220:16
follow 152:13; 153:11
Following 176:2
follows 131:6
forecast 137:15, 18;
141:6, 8, 9, 21, 22; 146:9,
20; 155:11; 162:16; 176:2,
7; 178:18, 19; 180:20, 23;
181:3, 4, 9, 9, 16, 18, 25;

182:15, 22, 24; 184:3, 5, 7, 11; 189:7, 7, 8, 13; 191:10; 195:17; 196:24, 25; 200:12; 203:14, 16; 204:9, 12, 15, 19; 207:11; 208:14; 214:6; 223:9, 17; 224:2, 3; 226:9
forecasting 168:5;
176:14; 177:10; 178:3;
182:8, 12; 185:10, 24;
192:23; 221:7
forecasts 141:25; 142:2
foregoing 167:7
format 152:8
format 227:21
forth 201:7
Fought 154:5
foundation 162:5
Four 156:13; 171:9, 9, 13,
15, 24; 185:1; 214:4;
216:13
fourteen 160:8
fourth 207:16
frame 140:7; 209:19
free 193:14; 215:7, 14,
18; 216:8
French 148:11, 15, 25;
149:5
front 148:9
FUBYAS 220:11; 221:21;
222:1
full 227:8
fully 205:18
function 153:3
further 131:6; 225:7, 21;
226:14
future 177:2

G.H 133:22; 186:14
gains 169:22; 170:8, 11,
20; 171:7, 16; 225
gains 169:22; 170:8, 11,
20; 171:7, 16; 225
Gallup 175:15, 19
Galyan 182:6; 207:12
gather 135:13; 137:1
Gemma 159:18
general 149:17; 170:5;
214:8; 219:16, 20, 22;
216:4
generally 139:25;
140:12; 141:3, 19; 197:19
geographic 218:17
gift 215:8
girls 177:5, 9
GIRVAN 227:15
given 143:4; 147:18;
163:6; 176:17; 184:1;
206:23; 208:14
giving 205:13, 16
Glover 133:21; 134:14;
143:21

Glover's 134:12
Good 131:7; 152:10
government 176:10;
197:24
great 144:20
greatest 164:5
Greg 138:7; 192:12
group 141:2; 163:1;
181:3, 4, 10, 16, 18, 25;
182:15; 183:13; 195:17;
196:24; 201:14; 202:12;
207:11; 208:15; 214:6;
216:21, 23; 224:3, 5
groups 178:22; 194:7,
15, 24; 195:7; 200:13;
201:6; 220:16
Growth 192:13
guess 173:24; 225;
183:18; 198:14; 203:17
guessing 198:15; 200:6;
203:15

H
H-R-I-B-A-R 182:6
H.J 134:20
habit 152:10
habits 169:10
Hall 150:23; 191:17;
153:21; 155:2, 17; 156:22;
157:3; 159:16; 162:1, 9
hand 178:24
handed 133:15; 159:22;
186:11
handing 150:21; 156:19;
159:10; 163:18; 174:11;
179:6; 188:14; 190:17;
192:7; 199:7; 199:15;
205:2; 209:25; 219:4;
223:5
handwriting 175:5, 7
handwritten 133:18;
175:4
happen 174:1
happening 140:24
happy 205:17
harassment 185:2
Harry 134:22; 143:21
haven't 133:1; 157:6;
171:18
head 138:8; 146:2, 15,
23; 172:3; 176:3; 181:4;
201:22
heading 134:15; 152:24;
153:6; 200:20
heads 147:4
heard 148:11, 14, 24, 24;
149:7; 165:20
hearing 165:7; 227:5, 9
heavier 177:6
help 203:25; 205:17;
224:17
HEREBY 227:7, 19
herein 227:8

HEW 175:15, 19
higher 177:5, 9
himself 143:14
Historical 220:14;
222:16, 19
Hold 183:16
home 141:10
honestly 205:21
Hopefully 187:14
Horrigan 186:15
hour 186:7
household 208:12
Hribar 182:6; 207:12
hundred 201:18
hyphenation 227:20

I
idea 165:23; 167:23;
174:4; 181:12, 15; 184:23;
188:2; 198:13; 204:4, 11;
209:19; 214:3; 220:2
ideas 184:6
identification 133:14;
150:19; 156:17; 159:8;
163:16; 174:9; 179:4;
186:5; 188:12; 190:15;
192:5; 193:5; 199:13;
204:25; 209:23; 219:2;
223:3
identified 142:3; 159:12;
174:13; 186:12; 188:17;
190:19; 192:9; 193:11;
199:16; 205:4
illustrated 149:12, 13
image 212:7, 12, 22
imagery 212:9; 213:8;
214:16
immediate 132:9
impact 196:14; 199:19;
212:5, 12, 19; 213:12, 20;
214:1; 216:18; 217:8
implemented 132:5;
170:17; 171:2, 23; 187:16,
20
implications 177:3
important 195:23
importantly 176:22
improper 194:10
improve 189:12
improvement 140:16, 21
in-market 212:17
Incidence 175:16, 20;
176:9; 177:4, 9; 194:19;
200:14; 207:20, 22, 25;
208:4, 8, 20
incident 151:16
include 197:4; 215:8
Included 136:20; 137:8;
189:11, 15, 23; 190:11;
198:19
including 143:14, 15, 16;
170:14, 15
incorrect 143:11

Increase 192:13; 196:14;
218:9
Incremental 202:9;
203:7, 10
index 201:17
indexed 201:7, 10
indicated 147:21;
180:20; 184:25, 25;
221:12
indication 173:10
individual 178:7; 184:19;
201:6
Industry 192:13; 196:16
informal 152:9
information 141:18;
144:14, 17; 145:5, 6, 7, 13,
22; 146:7, 12, 16, 23;
147:4; 173:19, 20; 176:13;
189:13; 197:14, 17, 20;
205:12; 208:5, 7, 10;
209:16, 17; 211:8
Initials 164:17; 198:9, 10
Initiatives 220:9, 20
Input 196:25
Instances 140:23, 25;
178:8
Instead 202:19
Instruct 132:23; 155:18;
185:5
Instructed 162:12;
183:21
Instructions 131:12;
146:16
Interact 218:7
interaction 218:9
Interest 217:19
Interested 140:22
Internal 141:10
Interpret 157:9
Interpretation 195:1
Interviews 208:12
into 132:21; 133:7; 135:8;
137:5; 145:12; 152:2;
161:19; 162:22; 167:4;
184:18; 200:23; 211:19;
212:1, 24
Introduced 149:18;
222:21
Introducing 212:24
Involve 210:24; 213:22
Involved 146:11, 19;
161:10, 12; 163:10;
165:17; 169:19; 182:7, 11;
191:10; 200:9; 213:19, 24;
214:3, 6, 7; 221:4, 12, 15
Involvement 167:2
Involves 214:24
Involving 149:5, 21, 23;
150:2; 211:21; 216:7;
218:12; 220:19; 222:1, 6,
12, 18
Issue 151:10; 162:2;
176:2; 178:6; 191:22;
210:8; 211:10; 212:3;
213:3, 10; 218:3, 15

issued 134:9; 136:11, 13;
141:10, 23; 155:12; 175:2;
176:1; 182:10; 188:25;
196:24
Issues 210:3
Item 215:9
Itself 140:14; 152:11

J

J 227:4
J.B 133:22; 174:15;
188:16
J.L 159:18
January 136:18, 24;
155:13; 175:25; 181:6;
183:8; 185:22; 191:12
JERRY 131:4; 203:17
Jim 138:8; 146:2, 18;
176:3; 184:11
Joan 166:22
Joe 149:7, 11, 21, 24;
150:2, 10; 224:25; 225:4
John 182:6; 207:12
Joined 165:1
Joining 165:14
Jr 150:23; 156:22;
159:16; 186:15
Judge 184:25
July 133:21; 134:9;
136:2, 4; 137:9; 179:9, 16;
181:5; 186:15; 188:16;
189:1, 23
June 164:12; 165:1, 16;
166:1, 14, 19; 227:5, 12

K

Kay 179:9, 24; 182:9;
183:1, 11; 185:2; 188:16;
190:22
Kay's 182:12
Kept 144:16, 19, 24;
145:5; 146:1
Key 166:25; 190:4;
199:22; 210:3; 221:3
Kids 150:11; 224:25;
225:5
Kind 140:19; 173:18;
182:17; 184:17; 200:15;
208:13; 212:7; 216:16
Kinds 141:22; 171:18;
212:23, 25; 213:7
Knowing 204:2
Knowledge 145:1;
147:15, 17, 18; 157:24;
164:20; 169:12; 172:4;
173:24; 197:10; 198:20;
223:20, 25; 225:1; 227:11
Knows 131:9; 224:14

L

L.W 150:23; 156:22;
159:16
labeled 179:7; 210:1
lack 162:5
Lacks 173:23
lady 166:22
language 135:19, 24;
136:20; 137:8
large 176:24; 190:7
last 134:7, 11; 135:5;
137:5; 147:12; 151:8;
166:23; 172:8; 187:2, 8,
12; 191:17; 193:20;
201:10; 202:7; 214:4;
216:13
late 144:16; 171:23;
187:2
later 159:3; 160:9; 165:18
lead 178:13
learning 216:7; 217:7,
7, 19
least 167:1
Lees 134:20, 22; 143:21
left 214:6
left-hand 198:4; 202:21
legal 132:17; 21; 133:8;
137:11
legible 179:14, 16
less 173:10; 215:3;
220:12; 222:6
letter 147:23; 148:9;
160:24, 25; 161:1; 162:1
letters 164:10; 198:8
level 163:3
levels 178:8
library 197:13
lighter 213:14
likely 136:16
limit 167:13; 21; 168:18
limiting 144:7
list 135:25; 137:23; 138:5;
143:1; 154:6, 7; 159:22;
160:3, 20; 192:14; 197:16;
220:6
listed 142:21; 143:9, 14;
160:3; 174:16; 189:4;
194:15, 24; 195:7, 13;
199:23, 25; 200:1
lists 194:7; 207:19
litigation 187:1, 3, 4
little 175:24
locked 145:21; 146:1, 13
Long 133:22; 136:4;
143:19; 154:13, 25; 155:6;
161:20; 162:1, 8; 178:13;
180:25; 184:13; 186:14;
187:20; 195:23; 226:5
Long's 134:17
long-range 135:3;
137:15; 146:9, 11; 155:10;
162:16; 168:5; 177:10;

178:2; 180:20; 181:8;
182:7, 11, 21, 24; 184:3, 7,
11; 185:9, 23; 189:7;
191:10; 192:22; 200:12;
224:4
long-term 226:9
longer 134:23; 171:8;
196:15
look 134:1; 145:20, 24;
151:25; 165:9; 167:3;
171:8; 172:17; 174:19;
175:3; 176:8, 20; 179:13;
183:16, 17; 187:12;
188:22; 193:14; 200:18;
201:12; 209:2
looked 145:18; 147:22;
216:7
looking 194:18; 203:12;
211:10; 212:3; 213:10;
218:3, 15
Looks 164:4; 174:1
loss 195:21
losses 169:22; 170:8, 11,
20; 171:5, 16, 23
lot 170:3; 190:24; 219:16
lots 221:2
lower 167:12, 21; 168:17;
198:4

M

M 164:3
machinery 178:9, 11, 15
major 174:20; 7;
221:13
makes 152:3
making 134:14
males 195:22
management 141:12,
13; 184:13; 217:24
manager 141:3; 181:11
Manager 169:1, 1;
206:17; 21; 207:8
Mangini 188:3
Mangini/California
187:4
manufacture 178:11
manufacturing 141:11;
187:24
many 143:12; 178:8;
191:7, 14; 203:8; 206:11;
216:15
March 159:19
marked 133:11, 14, 19;
150:17, 19, 22; 156:12, 17,
20; 159:5, 8, 11; 163:14,
16, 19; 174:6, 9, 12;
178:24; 179:2, 4, 7; 186:2,
5, 11; 188:9, 12, 15;
190:13, 15, 18; 192:3, 5, 8;
193:3, 5, 8; 199:11, 13, 16;
204:23, 25; 205:3; 209:21,
23; 210:1; 218:24; 219:2,
5, 6; 223:1, 3, 6
market 134:24; 201:20,

23; 203:10; 212:17;
213:15, 20, 21; 214:2, 10;
215:19, 24; 216:9; 221:6
marketing 132:17;
134:14, 16, 19; 135:1, 2,
15; 137:1, 2, 17; 139:11;
140:10, 13, 15, 17; 141:6,
11, 18; 142:22, 25; 143:4,
10, 17, 20; 149:11; 151:14;
161:15; 163:3, 6, 10, 11;
164:13; 176:4; 184:4;
186:18, 22; 197:16;
206:16, 17, 20; 207:8;
217:24
marketplace 178:17;
201:3; 212:24; 213:21;
216:18; 217:10, 20;
222:22
Marlboro 218:5; 220:11;
221:1, 2, 5, 11, 12, 16, 19
Material 152:2
May 132:20; 140:14, 22;
144:9, 10; 147:16; 165:15;
176:24; 182:14; 183:15;
184:5; 185:13; 191:16, 16;
196:15; 198:12; 203:25;
207:5
maybe 131:24; 155:15;
172:9; 176:5
MDD 162:25; 186:16, 18;
207:20; 209:3
MDIC 197:15
mean 144:20; 145:11;
149:11, 13; 157:14;
165:22; 169:15; 172:13;
173:12; 196:25; 198:8, 16;
201:10; 210:15; 214:18
meaning 208:16; 210:25;
211:3
meaningful 171:20
means 172:14; 194:8;
198:22; 199:7; 200:5;
202:23; 203:1, 4, 7
meant 188:2
Meeting 163:21; 165:11
members 181:18, 25
memo 133:20; 137:9;
143:9, 9; 151:17, 19, 22,
23; 152:1, 24; 153:4, 6, 18,
21; 154:13, 14; 155:1, 3,
17, 20; 156:1, 8, 10, 21;
157:2, 2, 5, 19, 20; 158:7,
13, 16, 19; 159:16; 161:3,
6, 18; 174:14; 175:14;
179:9, 25; 180:5; 186:14,
16; 187:9, 10, 13; 188:1,
15; 190:21; 192:11; 193:8;
198:6
memoranda 197:5
mention 141:15
mentioned 207:7; 217:8
met 166:4, 4
methodology 184:2
middle 172:18
might 140:16; 145:10;
150:10; 173:21; 178:7;
184:6; 224:25; 225:4

Miller 146:25
minute 194:9
minutes 134:1; 151:1;
186:7
mischaracterizes 173:8,
9
MMD 164:4, 17, 18
Model 199:18; 200:16
Models 193:10; 195:9;
203:25
Monahan 154:9; 159:17;
166:21
Monahan's 151:12
month 136:6
months 136:16; 155:15
MOORE 131:4, 8; 132:25;
133:11, 13, 17; 142:21;
143:23; 145:4; 148:3, 11;
150:17, 18, 21, 22; 153:3,
16, 18; 154:25; 156:13, 14,
16, 19, 20; 157:12; 159:6,
7, 10, 11; 160:16; 163:14,
15, 18, 19; 164:9; 172:17;
173:14; 174:3, 7, 8, 11, 12,
22; 177:8; 178:25; 179:2,
3, 6, 7, 20, 21; 180:2, 3, 14;
181:13; 186:3, 4, 11;
188:10, 11, 14, 15; 190:1,
13, 14, 17, 18; 192:3, 4, 7,
8; 193:3, 4, 7, 8; 194:13;
196:6; 199:3, 11, 12, 15,
16; 204:23, 24; 205:2, 3;
209:21, 22, 25; 210:1;
214:14; 218:25; 219:1, 4,
5, 18; 223:1, 2, 5, 6;
224:23; 225:13; 226:3
more 162:25; 176:13;
179:16; 185:3; 189:10;
190:6; 195:23; 207:14;
214:6, 24
morning 131:7
most 136:15; 176:22
move 181:23; 185:12
moved 144:24
MRD 164:3, 3, 6, 11, 14;
167:7, 20
MRD-Esty 163:20;
165:11
much 141:21; 212:8
must 209:15
myself 135:24; 138:8;
146:2, 18
mystery 205:20

N

N.W 133:21; 134:12
name 138:16; 147:12;
165:7; 166:22, 23; 175:4;
186:21; 192:14; 217:4, 5
natural 135:10
nature 159:4; 221:8
NBER 193:10; 194:6, 14,
25; 195:9; 196:17; 197:24
necessarily 139:14;

145:15, 16
need 146:10; 163:2;
185:3; 189:6; 193:23;
211:18, 25
needed 181:1; 189:13
Neither 190:5
New 133:23; 140:19;
147:25; 179:11; 180:17;
181:15; 183:10, 22;
184:22; 188:20; 190:23;
191:5; 195:25; 209:17;
217:7, 7; 220:14; 222:16,
19
next 169:3; 200:19;
221:18
next-to-the-last 157:17
NFO 132:3, 9; 163:21;
165:12, 12, 17, 20, 23;
166:1, 2, 4, 5, 10, 17, 20;
169:25; 170:4, 10, 23;
171:11; 184:10; 197:23;
207:24; 208:11, 18;
209:11, 16
NFOs 131:19
Nick 134:14; 143:21
nine 155:15
nine-digit 202:5
Nods 172:3; 201:22
Non-filter 169:6, 13, 22;
170:7, 14; 171:25; 172:2,
6, 14
nonroutine 141:25;
142:2
nor 137:17
Nordline 138:7; 205:23
note 133:18; 193:19
notes 227:8
nothing 197:22; 222:17;
226:14
Novak 154:10; 192:12
Number 133:12, 13, 20;
142:22; 148:4; 150:17, 18,
22; 156:13, 16, 21; 159:6,
7, 11; 163:14, 15, 19, 23,
25; 164:1; 168:7; 169:4;
172:6, 17; 174:7, 8, 12, 14;
178:25; 179:2, 3, 7, 8, 20,
22; 180:2, 3, 14; 181:14;
186:3, 4, 12, 13; 188:10,
11, 15, 18; 190:13, 14, 18,
19; 191:8, 15, 16; 192:3, 4,
8, 9; 193:4, 8, 12; 199:12,
17; 200:19, 19; 201:1, 8,
11, 14; 202:5; 204:23, 24;
205:3, 5; 207:17; 209:21,
22; 210:2, 9; 211:10;
212:3, 16; 213:10; 218:3,
15, 15; 219:1, 7; 223:2, 6,
7, 7; 227:3
Numbers 159:13;
194:23; 198:8

O

O 227:1, 17
oath 131:10, 12, 15

Object 132:19; 138:21;
142:23; 150:12; 157:7;
162:5; 173:7, 23; 181:22;
185:11, 18, 25
objection 155:4; 196:3
objective 196:13
Obviously 137:12;
142:14; 155:11
occasion 140:14; 215:11
occasional 211:13, 19,
21; 212:1
occur 188:7
occurred 209:13; 216:12
October 190:21; 191:22
off 224:20
offer's 215:24
office 111:1; 159:4
often 210:16; 211:1, 2, 5,
17, 25; 217:15
old 168:14; 197:23;
201:14; 208:11; 209:16
older 168:14; 201:3;
208:17; 19
olds 137:12; 146:8;
176:1; 202:16, 19; 208:16
once 187:1
One 137:18; 142:3, 12,
16; 147:6; 160:19; 183:4;
191:17; 201:18; 206:13;
207:14; 212:20; 214:24;
215:7, 11; 216:8; 221:14;
223:22; 225:23
one-page 187:10
ones 160:19; 166:25;
172:8
ongoing 211:8, 22;
170:10, 16, 19, 22, 25;
182:17; 208:14
only 137:17; 146:15;
148:9; 151:23; 155:8, 8;
156:1; 161:1; 165:22;
168:2; 187:10; 191:9;
193:13, 16; 198:15; 200:6;
203:15; 206:16; 207:5;
208:10, 19; 222:2; 224:6
operational 226:12
opinions 197:1
opportunities 222:19
Opportunity 220:15;
222:16
opposed 214:25
oral 152:9
order 137:14
ordinary 132:16; 153:19;
217:11
organizational 140:5;
142:15
originator 204:3
Osmon 154:10
others 135:24; 138:5, 6;
142:7; 155:18; 162:19
out 143:8; 157:20; 159:3;
170:24; 178:15; 200:15;
203:25; 224:13
outside 197:9, 10; 204:18

over 134:18; 138:19;
139:5, 10; 144:21, 25;
147:9; 165:7; 166:12;
179:13; 180:21; 191:9;
226:5
overall 178:6, 19; 181:11;
189:8; 196:15; 213:21
Overview 219:6, 12, 21,
23
overviews 219:17
own 139:1

P

pack 213:14; 214:9, 11,
22, 23; 215:1, 3, 3, 4, 6, 9,
10, 12, 14, 17; 216:8
packaging 178:10
packing 178:15
packs 214:24
packs/get 215:7, 13
page 139:18; 167:4;
168:6; 169:2, 3; 172:16,
18; 176:18; 190:3; 194:5;
195:11; 19; 198:3, 7;
200:19; 202:8; 204:7;
207:17; 18; 218:4; 220:6
pages 195:14; 202:6
paragraph 135:5; 136:8;
137:5; 151:25; 157:17;
162:21; 168:25; 176:20;
187:8, 12; 188:23; 195:19
paragraphs 188:1
Pardon 199:24
Park 178:6
part 178:20; 180:19;
182:21; 183:13;
195:16
particular 135:22;
139:20; 142:12; 145:17;
147:23; 166:6; 181:11;
196:5; 216:23; 221:10, 10
past 144:24
people 137:23; 141:11;
142:16; 18; 21; 143:3, 8,
14; 145:20; 146:19; 147:5;
150:24; 160:3; 163:10;
166:4, 16; 173:2; 174:16;
184:9; 192:15; 194:23;
195:6; 206:11, 16; 207:14;
208:8
per 201:2, 7, 11, 14; 208:1
percent 201:15, 23
perception 212:21
Performance 210:3;
213:16; 217:14, 23; 221:6;
222:22, 23
Perhaps 136:6; 141:12;
155:14; 159:3; 206:6;
225:19
period 140:9; 141:1, 17;
150:8; 155:10; 166:18, 19,
21, 24; 171:5, 12, 15, 22;
172:1; 175:21; 180:9, 21;
191:9, 11; 213:25; 216:10,
11; 226:6

periodically 216:16
permission 146:17, 21
permissions 147:18
permitt 133:7
Perry 174:15; 176:15;
182:10
person 146:15; 147:8, 9;
166:9, 11, 13; 184:9;
203:19, 22, 23; 224:7, 9
personal 171:19; 173:23
personalities 222:13
Personality 220:13;
222:10
personnel 163:4
Phil 182:6; 207:12
phrase 172:10
piece 207:5
place 131:24; 147:10;
206:1, 9
plan 180:24; 202:9
planned 180:24; 181:2;
187:15, 19
planning 134:23; 135:2,
3; 146:12; 192:22; 219:15;
224:4
plans 178:4
plants 184:16
play 211:16
please 147:13; 151:3;
166:23; 170:21; 185:12
point 171:7; 175:10;
190:3; 225:23
policy 144:13
Poll 175:15, 19
population 200:14;
201:16; 207:21; 208:5
portion 165:9; 190:7;
195:12
position 134:12, 17;
151:13, 15; 214:7
positions 143:5
poster 148:18, 20, 22, 25
practice 197:6
precedes 167:24
preferences 177:25, 25;
178:16, 17, 22
prepare 180:17; 194:11;
208:20
prepared 182:19; 183:3,
23; 185:9; 189:5; 192:21,
24; 193:24; 208:2; 209:8;
217:15; 225:2
prepares 216:20
preparing 221:4
present 216:11
presentation 205:11, 13,
16, 25; 206:8, 15, 23;
207:2, 3, 4, 6
Presently 144:19; 145:1,
2; 158:11
pretty 164:6
Previous 153:25; 159:25
previously 131:5; 137:6;
138:4

Price 193:10; 194:6, 15;
214:15
prices 194:25; 195:7
primarily 140:13; 142:22,
24; 143:3; 206:17; 217:25
prior 134:8; 136:2, 4, 10;
151:8, 9; 153:18; 154:13,
25; 155:15, 25; 157:19;
165:14; 188:7
Privileged 152:1
probably 131:15; 134:10;
148:16; 149:16; 160:7;
172:8; 203:23; 206:18, 20;
207:13
PROCEEDINGS 131:1
process 166:7; 211:17
processes 178:11
produce 184:10
produced 162:17; 168:8,
11, 25; 169:8; 170:3;
220:3; 223:16, 20; 224:1,
8, 14, 15
producing 167:10; 226:9
product 132:21; 133:8
production 226:7, 7
Products 163:22;
165:12, 13, 21
profile 167:11, 13, 21, 25;
168:10
project 181:9; 182:8, 12;
208:15
projecting 221:7
promote 211:18; 212:1
promoting 212:6, 12;
215:2
promotion 148:19;
149:1; 212:20; 213:13, 20;
214:2, 22, 23, 23; 215:5, 6,
15
promotional 210:12, 20
promotions 211:16;
212:8; 213:8, 14; 214:9,
12; 215:1, 1, 10, 11, 12,
17; 216:8, 18; 217:9
proofread 227:19
PROOFREADER 227:17
proper 194:11
proportion 190:10
provide 172:23
public 149:17; 176:10
published 176:9; 197:24
punched 172:21; 173:11,
14
punctuation 227:21
purchase 214:24
purpose 137:19; 146:9;
185:9, 23; 192:24
purposes 135:15; 137:3,
15, 17, 17, 18; 141:9;
176:2; 192:22; 202:12
put 133:1, 4; 164:1
putting 146:20

Q

quality 176:6
quantitative 141:2
quarterly 208:6
quite 165:17; 172:6
Quitters 133:23; 148:1;
179:11; 180:18; 181:15;
183:10, 23; 184:23;
188:21; 190:23; 191:6

R

R 131:4; 174:15; 227:4
R.A 195:13
range 134:23
rate 200:14; 201:7, 11;
207:20, 23; 208:1, 5, 8, 21
rate-per-day 200:25
Rationale 192:13
Re 159:18; 192:12;
193:10
read 155:8; 137:5;
145:14; 152:2; 153:24, 25;
159:15, 25; 161:18;
162:21; 163:2, 5; 164:1, 2,
3, 4; 167:4; 200:23; 202:5;
225:14
Reading 135:9; 152:3;
153:18; 161:19; 162:23;
167:5; 168:7; 169:4;
172:20; 176:21; 187:13;
188:23; 190:4; 191:2;
195:20; 210:9; 211:11;
212:4; 213:11; 218:4, 16;
220:8
ready 134:4
really 155:7; 157:13;
165:15
reason 137:19; 158:18;
160:11; 173:5, 20; 185:22;
187:23; 198:2
reasons 137:10; 171:6;
185:16
recall 136:14; 138:13;
146:5; 148:23; 149:1;
156:9; 158:7, 11, 13, 15;
159:24; 160:1, 8, 13;
162:3; 165:7; 178:4;
180:15; 181:7, 10; 182:16;
184:20; 189:17, 18, 19, 20;
191:8, 15; 196:23; 200:2,
17; 204:21; 205:14, 21, 25;
206:7, 8, 11; 207:6, 15;
209:12; 210:7; 211:7;
213:5; 219:24
recalled 175:12
recalls 138:11; 158:21;
175:11
receive 160:7
received 147:16; 156:1;
158:19; 159:1; 160:7, 13,
14, 21, 24
receiving 154:25;
155:17; 158:11, 13, 15, 22;

160:14; 175:11, 12
Recess 186:9; 224:21
recipients 199:22
recognize 175:7
recollection 189:22, 25;
198:21; 199:1, 2; 205:15
recommendation
154:16
recommendations
184:15
recommended 155:2;
156:2
recommends 153:21;
154:14; 155:19
record 135:8; 137:6;
152:2; 154:22; 161:19;
162:22; 167:5; 193:19;
200:24; 224:20
records 147:15
Redacted 192:2
reducing 187:17, 25
refer 217:11
reference 171:14
referred 148:3;
168:25; 209:18
referred 152:23; 153:6;
161:6; 171:12; 179:21;
187:25; 200:16; 209:14;
217:22
referring 136:23, 24;
137:4; 147:20; 148:3;
153:1, 4; 157:19; 165:18;
170:4, 6; 187:20
reflect 152:11; 157:2
Reg 172:11
regard 157:8; 197:2;
205:18
regarding 152:22; 153:5;
20:154:20; 155:1, 18, 25;
156:3; 157:4; 180:19;
173:15; 206:24; 210:19;
211:25; 212:11; 213:7, 25;
214:9; 215:17, 23; 216:17;
219:11; 220:22, 25; 221:5,
16
regular 149:2
relate 213:4
related 141:6, 22
relates 212:22
relating 183:9; 191:4
relationship 210:10, 19
relevance 132:20, 20,
22; 133:6
relevant 155:9
reliably 171:8
remain 167:14
remember 131:23;
136:4; 140:23, 25; 159:21;
166:25; 183:15; 184:21;
206:5; 207:9, 10, 11
reminder 156:5
reopen 225:20
repeat 153:22
rephrase 170:21
replace 195:25

replacement 132:4, 5;
209:11
replicate 168:19
report 135:22; 136:9, 10,
12, 24; 137:9, 22, 24;
145:18, 19; 146:7; 147:21,
23, 24; 148:2, 3, 8; 155:12;
159:18; 160:21; 161:5, 9,
13, 23; 162:3, 4, 9, 16;
168:12, 15, 18; 170:11;
175:25; 176:3; 179:20;
180:17; 182:10, 13; 183:8,
9, 22; 184:20; 185:3, 5;
186:16; 188:19, 20, 25;
189:9, 12, 16, 23; 191:3;
196:23; 197:13; 198:11;
207:20, 23; 208:2; 209:8,
14, 16
reported 172:25; 208:13
reporter 153:24, 25;
159:25; 227:1
reporting 140:2; 182:9,
11; 195:10; 196:18; 198:1
reports 136:15; 21;
138:19; 139:10, 25;
140:11, 12; 141:3, 19;
143:25; 144:2, 15; 155:23;
156:2, 7; 162:13; 168:8,
10, 24; 170:3, 6, 10, 16,
18, 19; 172:5; 181:12;
184:22; 185:3; 191:7;
197:4; 208:21; 210:18, 24;
212:11; 216:20; 24; 217:2,
21; 218:2
represents 203:13
request 179:24; 184:10
requested 180:5
required 178:10
research 132:17; 134:25;
135:2; 137:11, 16; 138:9,
18; 139:4, 9, 11, 24;
140:10, 11, 14, 17, 18, 20,
21; 141:3, 7; 142:22, 25;
143:4, 10, 17, 20, 24;
144:3, 12; 146:3; 149:5,
21, 23; 150:4; 151:14;
161:15; 164:13; 172:5;
176:4; 180:16; 22;
197:9, 11, 14; 200:8;
206:16, 17, 20; 207:8;
210:18, 24; 211:21, 25;
212:11, 18; 213:7, 18, 19,
22; 216:6; 218:12, 22;
221:25; 222:2, 6, 12, 18,
20; 224:23; 225:2
reserve 225:11
reserved 226:15
Resource 220:10, 23
respondents 168:13, 16;
172:19; 173:15
response 176:18
responsibility 182:8;
184:2
responsible 166:6, 9, 17;
181:8; 184:9, 14; 216:21
restrict 161:22; 162:12;
198:2
restricted 145:21; 146:1,

13; 162:10; 197:21
result 176:25; 208:12
results 212:18
Retail 217:13, 22
retained 145:7, 21
review 132:17; 133:15;
149:23; 151:2; 180:13
reviewed 134:11; 200:9;
210:18, 24; 211:21, 25;
212:11, 15; 213:7, 18;
218:12, 22
reviewing 142:15;
156:24; 198:1
reviews 134:5; 151:4;
156:25; 159:14; 164:7;
174:20; 179:18; 194:1;
200:1; 205:8; 210:6;
223:12
Reynolds 131:19;
135:21; 138:20; 145:12;
147:1; 150:9, 10; 156:21;
159:12; 163:23; 164:10,
12, 16, 25; 165:14; 166:2,
5, 17, 19; 167:24; 169:23;
170:11, 20; 171:4, 5, 16;
173:1, 5, 17, 22; 174:13;
177:10; 178:2; 179:8;
186:13; 187:6, 7; 188:18;
190:19; 192:9; 193:12;
199:17; 201:19; 203:19;
204:13, 16, 19; 205:5;
206:10; 207:17; 208:13,
20; 209:5; 210:2; 214:10;
219:7; 220:3; 221:11;
223:7, 16, 25; 224:7, 23;
225:3; 227:4
right 136:17; 138:11;
148:5, 7; 152:1, 20; 153:8;
170:15; 182:16; 184:24;
186:25; 225:14, 16;
226:13
right-hand 175:3
rise 194:25; 195:8
RJR 133:20; 187:4;
189:11, 14; 203:11
role 211:15
rotating 180:10; 182:15
roughly 191:13
routine 140:2; 141:8, 22
row 194:18; 195:2

S

S 227:15
S-C-I-S-M 147:14
S-T-U-A-R-T 166:24
sale 215:2
sales 134:19; 140:15;
141:11; 215:3; 217:24
same 141:23; 143:3;
155:4; 165:24; 201:18;
207:3
sample 167:9; 171:6;
176:5
SAMUELS 131:7, 11, 18;
132:15, 24; 133:3, 10, 16;

137:4, 7; 138:3, 12, 14;
139:3, 23; 140:3, 8; 142:6,
11; 143:7, 15, 18; 144:7,
15; 145:3; 148:2, 6, 10;
149:3, 13, 15, 19; 150:7,
16, 20; 151:24; 152:16, 19,
22; 153:2, 10, 17, 23;
154:2, 19, 24; 155:16;
156:12, 15, 18; 157:12, 23;
158:17; 159:5, 9; 160:2,
10, 16, 22; 161:2, 11;
162:7, 18; 163:13, 17;
164:5, 8; 165:4; 167:18,
19; 169:17, 20; 170:1, 6,
13, 19; 171:1; 173:13;
174:3, 6, 10; 175:13;
177:22; 179:1, 5; 180:8;
181:24; 182:4, 18; 183:2,
7, 20; 185:4, 15, 19; 186:2,
8, 10; 187:11; 188:9, 13;
189:21; 190:1, 12, 16;
192:2, 6; 193:2, 6, 18;
194:3, 13, 17; 195:4, 5;
196:6, 9; 198:17; 199:3,
10, 14, 23, 25; 200:4;
201:9; 202:2, 3; 203:18;
204:5, 22; 205:1, 24;
206:19; 209:9, 20, 24;
211:3, 9; 214:13, 21;
216:5; 218:24; 219:3, 14,
18, 22; 220:1, 18; 221:14,
17; 222:25; 223:4, 21, 23;
224:18, 22; 225:7, 9, 13
saw 134:7; 148:22;
149:16, 17; 151:9; 153:3;
187:1
saying 152:25
scheduled 188:4
science 141:18
Scism 147:10
Scism's 147:12
second 162:21; 168:6;
176:19; 181:13, 14; 182:3;
188:22; 195:11, 19; 220:6
second-to-last 169:2;
176:20
secretary 198:10
section 152:1; 172:18
seeing 148:23; 158:7;
160:1
seek 225:19
seem 132:21
seems 198:7; 217:7
sell 178:7
semantic 158:3
semiannual 136:15;
180:25
sending 144:13
Sensitivity 193:10
sent 145:4; 157:20;
158:9, 11; 162:1
sentence 136:18;
161:18; 179:21; 188:3, 22;
191:1
sentences 135:6, 17;
137:5
separate 135:1; 168:9;

222:23
September 150:23;
151:11; 156:22; 157:5, 20;
158:8, 15, 19; 193:9;
196:19
series 181:12; 183:9, 22;
184:21; 185:8
serves 188:24
services 141:19
settled 188:7
seven 143:13; 206:18,
20; 207:7
several 150:24; 226:12
sex 178:1, 21
share 201:19; 203:10;
210:12, 20; 213:15, 16, 20,
21; 214:2, 10; 215:18, 24;
216:9; 221:6
shelf 145:23
show 156:7, 10; 200:22
showed 145:19; 187:5
shown 205:12
signature 138:15;
225:12; 226:15
similar 171:10
single 184:19
situations 203:9
six 136:16; 143:8; 206:18,
20; 207:7
sizes 171:7, 19; 176:6
Slower 192:13
small 171:20; 176:5;
190:9
smoke 137:12; 194:24;
195:7
smoked 201:2, 14
smoker 154:17; 159:18;
161:5, 13; 162:4; 205:4;
213:16; 218:6; 220:13;
222:9, 13
Smokers 133:23, 23;
135:12; 137:11; 147:25,
25; 150:25; 152:23; 153:5,
20; 154:20; 155:2, 19, 25;
156:3; 157:4, 16, 25;
158:1, 3, 5, 6; 167:11, 14,
22; 168:1, 3, 20; 171:11;
172:23, 25; 173:2, 6, 21;
177:7; 179:10, 11; 180:17,
18; 181:14, 15; 183:10, 10,
22, 23; 184:22, 22; 186:17;
188:20, 20; 190:8, 10, 23,
23; 191:4, 5; 195:25;
201:3, 13; 202:14, 17, 19;
206:25; 210:13, 21;
212:19; 218:20; 220:12;
222:4, 7
smoking 169:9; 175:16,
20; 176:9; 201:16; 223:9
socially 166:5
soft-pack 178:10
sole 185:22
soliciting 184:6
SOM 199:19; 202:9;
203:7

somebody 157:10; 196:5
someone 135:20;
140:15; 145:23; 171:21;
180:16; 16; 207:14
something 147:21;
148:18; 159:4; 163:25;
174:1; 196:5; 197:8;
200:17; 204:3, 10; 215:6;
217:18
sometime 131:25, 25;
136:2; 226:8
sometimes 164:14;
178:14
somewhere 144:11;
148:16; 226:7
sorry 133:4; 136:7, 7;
137:9; 140:19; 142:1;
144:15; 152:16; 153:22;
156:15; 160:25; 177:18;
179:19; 193:16; 194:21;
206:2; 211:3; 212:16;
217:3; 224:17
sort 144:6, 8
SOS 202:23; 203:3
sounds 170:22
source 131:20
sources 176:9, 10, 11;
207:19; 209:2
speaking 150:5
speaks 211:8; 212:19
special 135:12; 136:25;
169:5; 172:21; 170:7, 9
specific 136:22; 137:9;
140:25; 189:10; 191:14;
216:2; 217:5, 16; 219:24;
221:19; 222:15
Specifically 138:7;
157:15; 176:8; 197:15;
202:16; 207:10; 208:15;
214:19; 216:25
spell 147:12; 166:23
spelling 227:20
spend 193:23
Spring 163:21; 165:11
stand 186:18
standard 168:12; 197:6
started 155:11; 166:14;
226:6
starting 181:5
stated 194:25
statement 136:25; 196:2,
8, 22; 197:3; 201:10
statements 196:4; 197:4,
7
states 195:19; 218:16
statistician 140:10
Stephen 174:15
Steve 176:15; 182:10
still 131:9, 12, 13, 19;
147:1, 4; 157:6; 171:17;
208:20
stop 131:22
stopped 166:2, 20
strategic 135:2; 219:5,
12, 15, 16, 21, 23; 220:9,

20; 224:4
strategy 135:15; 137:3;
213:13; 214:2
Stuart 133:22; 138:8;
146:2, 18; 166:22; 174:15;
176:3; 184:11; 188:17
studied 171:17
studies 171:19; 177:3, 8;
212:23; 213:1, 3; 216:6;
220:7, 7, 22, 25; 221:4, 16;
224:24
study 171:3; 196:12, 17;
197:24; 220:12, 13, 19;
221:10, 19, 21, 22; 222:3,
9, 10, 15
style 172:14; 177:25;
178:8, 17, 22
subgroup 202:18
subject 135:11;
144:20; 150:24; 152:24;
153:6; 179:10; 186:16;
188:17, 19; 190:22; 191:7
substantively 177:1
substitute 132:2
succeeded 222:24
sufficient 175:6
suggest 152:5; 162:24;
194:23; 195:13; 201:13
suggested 135:20;
153:13; 196:17
suggestion 152:13, 17;
153:13
suggests 135:13
Summary 163:20;
165:10; 190:5
supervise 149:4, 20
superused 200:9;
210:18, 23; 211:20, 24;
212:10, 14; 213:6, 17;
218:11, 21
supply 195:24
sure 145:10; 157:13;
158:2; 164:16; 165:18;
186:8; 189:17; 193:23;
205:14; 207:18
Survey 163:22; 165:12,
13, 21
Swing 202:22
sworn 131:5
system 132:2; 170:17;
171:2; 209:5, 12, 17, 18

T

table 169:9; 194:16;
200:18, 22; 202:8, 12;
203:12, 20
talk 212:20
talked 131:12; 141:24;
146:14; 175:24; 181:20;
183:24
talking 141:7; 150:8;
154:18, 19, 23; 158:2, 5;
169:24; 170:1; 184:8;
204:20; 206:14; 209:19;

214:12, 15, 16
Tax 196:15
technique 140:17, 20, 21
Teenage 133:22; 175:15,
19; 177:6; 179:10; 180:17;
181:14; 183:10, 22;
184:22; 186:16; 188:20;
190:8, 10, 22; 191:4
teenager 147:25
teenagers 195:22
ten 131:24; 132:8
ten-minute 224:19
tenure 169:23
term 138:24; 155:6;
195:24; 196:16; 202:21,
25; 203:3, 6
Terminology 150:25;
152:7, 15, 18, 21, 22;
153:5, 12, 16, 20; 154:8,
11, 14, 17, 20, 22; 155:1,
18, 25; 156:3, 5; 157:3, 7,
15, 22
terms 158:4; 165:8;
189:12; 190:10; 212:23;
217:19; 221:6
test 212:17
testified 131:6; 138:4;
148:21; 162:14; 173:16;
182:20; 185:8; 193:25
therefore 146:10; 162:24
They're 216:25; 217:1
they've 201:5
third 151:25; 191:3
though 155:24
thought 152:4
three 143:17; 171:8, 13,
15, 24; 178:14; 183:6;
185:1; 202:6; 216:13
throughout 138:20
throw 143:24
thrown 144:2
tightly 161:22; 162:10, 12
times 178:13; 183:6;
185:1; 191:14, 15; 217:6
timetable 217:16
title 157:18; 165:9;
219:24; 222:17; 227:4
Tobacco 163:22; 165:12,
13, 20; 227:4
Tobacoville 178:5;
184:16; 226:3
today 151:8; 201:21;
224:9
together 146:20
told 142:25; 162:15;
185:2
took 205:25; 206:8;
226:11
top 202:17
topic 213:18; 218:13, 22
total 201:2, 8, 11, 15, 19;
202:15; 203:11; 208:5
Totterdale 138:8
toward 167:3

tracked 207:25
Tracker 131:24; 132:2, 5,
10; 170:17, 23, 25; 171:2,
3, 11, 14, 17, 22; 207:20;
208:23; 209:3, 5, 11, 18;
220:15
tracking 135:11; 208:13
TRADE 227:10
training 182:25
transcript 225:14, 18;
227:7, 8, 20
transition 132:9
transpired 184:1
Trend 203:3
trends 187:18, 25; 223:9
try 156:14; 184:2; 196:13;
216:16
trying 139:18; 158:4;
189:12; 214:19; 222:23;
224:17
turn 168:6; 169:2; 176:19;
187:8; 195:11; 198:3;
211:18; 212:1
two 135:5, 17; 136:6;
137:5, 10; 143:20; 144:21;
147:5; 166:25, 25; 168:9,
24; 178:14; 184:25; 188:1;
193:13, 17; 215:7, 13;
224:6
two/get 215:18; 216:8
type 215:23
typed 198:11
types 138:18; 139:4, 9
typewritten 138:16
Typically 217:24

U

U.S. 202:1
unclear 225:24
under 131:9, 12, 15;
137:11; 152:1; 168:2, 7;
173:6; 190:3; 198:6;
200:19, 19, 20; 208:8;
209:2; 210:4
underneath 201:5
Unless 199:4
up 134:15; 135:23; 171:5;
195:24; 204:8; 212:16;
226:12
update 136:9; 182:24;
216:17
updates 180:21, 25
upgrading 178:5
upon 157:11
upper 175:3
usable 176:13
use 131:19; 152:18;
154:16; 155:18; 156:2;
171:3; 176:6; 184:5; 209:5
used 135:14; 137:1, 2;
146:8; 148:19, 25; 153:16,
21; 157:3; 167:10; 203:8
user 211:13, 19, 22

users 212:1
using 152:6; 153:12, 14,
19; 154:7, 10, 13; 155:1, 6,
24; 156:4; 166:2, 20;
171:17; 176:1; 200:14
usual 169:8; 206:24;
208:17; 210:13, 15, 20, 25;
211:4, 4, 5, 14, 22
Usually 141:5; 197:8
utilitarian 215:9
utilizing 180:22

V

vague 138:24; 143:4;
155:4; 162:6
vagueness 157:10, 11
Value 203:7
Vantage 189:10; 190:5
varied 166:12
various 187:14
versus 178:10; 200:14;
218:9; 222:24
view 146:17
volume 178:7, 19; 189:8;
196:16

W

Wait 161:25; 194:9
waive 225:15
walk 145:12, 24
walked 145:23
way 144:11; 164:1; 184:1;
187:17; 198:2
week 193:21; 205:19
WENDT 227:25
weren't 189:15; 190:11
what's 151:23; 156:19;
159:10; 163:18; 174:11;
175:10; 179:6; 186:11;
188:14; 189:22; 192:7;
193:7; 198:21; 199:15;
205:2, 15; 209:25; 216:17;
217:20; 219:4; 220:17
When's 134:7
when/why 218:8
whenever 134:4
Whereupon 131:3
Whitaker 178:5
who's 194:12
Whoa 152:14, 14, 14;
153:13, 13; 169:15, 15
whole 172:1; 193:14;
203:12
widely 138:20, 22, 24;
139:2
WILLIAMS 131:9, 14;
132:12, 19; 133:1, 4;
136:22; 137:25; 138:11,
21; 139:13; 140:1, 4;
142:1, 9, 23; 143:13;
144:5, 18; 147:19; 148:5,

7, 21; 149:10, 14; 150:6,
12; 151:21; 152:14, 17, 20,
25; 153:8, 13; 154:15, 21;
155:4; 156:14; 157:6;
158:10, 21, 24; 159:23;
160:6, 12, 18, 23; 161:7,
25; 162:14; 163:24; 165:2;
167:17; 169:15, 24; 170:2,
18, 21; 173:7, 23; 175:10;
177:13, 16, 19; 180:7;
181:21; 182:2, 20; 183:5,
16, 18; 184:24; 185:11, 18,
25; 186:6; 187:10; 189:18,
24; 193:19; 194:9;
195:3; 196:3; 198:14, 23,
25; 199:4, 8, 21, 24;
200:23; 201:24; 203:17,
21; 205:17; 206:13; 209:7;
211:2, 5; 214:1, 15;
216:1; 219:13, 15, 19;
220:17; 221:9; 223:18, 22;
224:13, 17; 225:8, 10, 11,
23; 229:13;
wish 193:15; 225:15, 15
within 140:13, 13; 214:4;
220:2; 223:15, 25
with 11:17; 204:2
WITNESS 132:14;
133:15; 134:5; 138:1, 13;
142:5; 143:16; 144:9;
147:21; 148:23; 149:16;
150:14; 151:4, 23; 154:1;
155:7; 156:25; 157:13;
158:18; 159:2, 14;
160:1, 19, 25; 161:8;
162:16; 164:7; 165:3;
169:18; 170:4, 9; 174:4,
20; 177:14; 179:18;
182:5, 23; 183:17, 19;
185:14; 186:18; 189:20;
190:2; 193:24; 194:1, 2,
10, 14; 196:7; 198:15, 24;
199:6; 200:1, 2, 25; 202:1;
204:2; 205:8, 21; 206:15;
209:10; 210:6; 211:7;
214:17; 216:9; 219:23;
223:13; 224:15; 225:22
women 169:10
word 154:16; 170:24
words 201:12
work 132:18, 21; 133:8;
141:21; 147:1; 164:25;
204:13; 164:25; 214:4;
221:23
worked 138:19; 139:5,
10, 15, 25; 143:1; 162:13;
166:5; 207:14
working 155:10; 176:16;
180:4
write 135:17; 151:17;
179:24; 180:2, 5; 183:11;
184:19
writing 184:21
written 152:11; 157:19;
175:20; 185:6, 21, 23;
193:21; 196:19; 197:5;
204:6
wrote 151:19, 21; 157:10;
183:14; 196:5; 198:19

Y

YAS 199:18; 202:9, 13;
210:14, 15, 21, 25; 219:6;
220:10, 22
Yeah 160:19; 183:19
year 137:12; 146:8;
168:2; 172:24; 176:1;
187:2; 197:23; 201:13;
202:16, 19; 204:8; 208:11,
16
years 131:24; 132:8;
138:19; 139:5, 10; 144:22;
147:9; 160:9; 165:8;
166:12; 171:9, 9, 13, 16,
24; 172:6; 178:15; 201:2,
3; 208:18; 214:5; 216:13;
226:12
yesterday 131:13; 140:6;
142:4, 10; 180:11; 181:20,
22; 183:25; 200:13;
206:23; 223:24; 225:24
young 152:23; 167:13,
21; 168:1; 172:24
Younger 133:18; 150:25;
152:23; 153:1, 20; 154:16,
20; 155:2; 157:25; 156:3;
157:4, 16, 25; 158:5;
159:18; 161:9, 13; 162:3;
172:19; 173:2, 3, 15, 21;
195:21; 202:14; 17, 18;
205:3; 206:24; 218:6, 19

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CX-64

EXHIBIT NO.	2
Wit:	J. Moore
Date:	6/4/98
Rptr:	BC

RM0008989

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5173

50008 6299



CONFIDENTIAL

July 18, 1980

Mr. N. W. Glover
Mr. G. H. Long
Mr. J. B. Stuart

Re: TEENAGE SMOKERS (14 - 17) AND
NEW ADULT SMOKERS AND QUITTERS

The attached report on Teenage Smokers (14 - 17) and New Adult Smokers and Quitters is an update of the first report on the subject issued in January, 1980. The data is a natural by-product of tracking adult smokers. No special effort is made to gather this data, and it is not to be used for marketing strategy purposes.

A summary of key findings is included on the first two pages of the report. Similar reports will be provided semi-annually.

Jerry R. Moore

Jerry R. Moore
Marketing Development Department

JRM:gj

Attachment

cc: Mr. H. J. Lees
Mr. R. C. Nordine
Mr. G. J. Totterdale

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5174

RM0008990

50068 6300

RJR **CONFIDENTIAL**

September 11, 1980

XCC:
Wwb
K. Kerner
CR Hill
File

Individual copies to:

Mr. E. J. Fackelman
Mr. D. G. Fought
Mr. Ellen Monahan
Mr. Jerry Moore
Mr. Greg Novak
Mr. H. E. Osmon

Subject: YOUNGER ADULT SMOKERS -- TERMINOLOGY

As you all know, the objectives of RJR's marketing activities are to convince existing smokers to select our brands rather than competition's. More to the point, it is not our business to motivate people to start smoking, particularly minors. To smoke or not to smoke is a personal decision which we do not try to influence.

Given this policy, it is important that we do not do anything that would leave the false impression that our real intentions are otherwise. The risk area here is in the references we make in our written communications regarding the younger adult smoker market.

PRIVILEGED MATERIAL REDACTED

As an additional thought, I would also suggest that we all begin using this terminology in our oral communication, both formal and informal. By doing so, we'll develop a good habit that will reflect itself in our written communications.

Please discuss this with your people and assure that they understand this new terminology, the rationale behind it, and that they put it into practice immediately.

Thanks for your cooperation.

L. W. Hall, Jr.

LWH-lbr

CX-67

EXHIBIT NO.	3
Wrt.	J. Moore
Date:	6/4/98
Rptr:	136

RH009976

Produced to Federal Trade Commission pursuant to subpoena

dated June 6, 1997

52189 5175

50407 5896

September 22, 1980

TO: Mr. J. R. Moore
FROM: L. W. Hall, Jr.
SUBJECT: INFLUENCE OF YOUNG ADULT SMOKERS ON SUCCESSFUL
NEW BRAND ENTRIES

I was very much interested in the following comment in Steve Perry's 8/28 NFO Topline Analysis:

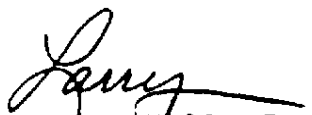
"Young adults represent a key opportunity area for new brand activity, due to their high propensity to switch brand families."

It has been my impression for some time that while young adult smokers indeed switch brands more frequently than their older counterparts, they don't generally switch in great numbers to new brand names. As a matter of fact, I can't recall a single successful new brand in recent Domestic market history which achieved initial success because it attracted younger adult smokers. If my memory is correct, it has been primarily females 25-50 who have been mainly responsible for new brand name success. Conversely, new brand names targeted to younger adult smokers have all failed.

Can it be that the younger adult smokers are doing most of their brand family switching between the larger, more popular well-established brands? If so, the implication that this demographic group represents a key opportunity area doesn't necessarily follow. As we all know, peer group pressure plays a major role in the brand choice of younger adult smokers. By smoking what their peers smoke, they help gain social acceptance and reduce the risk of being ostracized. New brand names can't deliver on such consumer wants. Because they're new, nobody else is smoking them.

Please ask Steve to investigate these hypotheses, as they have major implications regarding our new brands program.

Thanks.


L. W. Hall, Jr.

LWH-lbr

cc -Mr. Greg Novak
Mr. D. G. Fought

EXHIBIT NO.	4
Wrt.	J. Moore
Date:	12/4/98
Rptr:	BS

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 5176

50134 0571

RM0009140

Library

March 30, 1984

To: Mr. J. R. Moore
Mr. E. J. Fackelman
Ms. E. N. Monahan
Dr. J. L. Gemma

From: L. W. Hall, Jr.

Re: YOUNGER ADULT SMOKER REPORT

Mr. Long again emphasized to me that we should very tightly restrict distribution on this report.

Therefore, I suggest we make no more copies, that MDD Group Managers and Managers with a need to know read your copies, and that Marketing Department personnel below Director level read the copies already given to the Marketing Directors.

Larry
L. W. Hall, Jr.

LWH:gj

CONFIDENTIAL - FTC DOCKET No. 9285
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5177

EXHIBIT NO.	5
Wit:	J. Moore
Date:	6/4/98
Rpt:	136

CX-76

50263 5163

R0019552

SUMMARY OF DECISIONS MADE IN TWO-DAY MEETING
ON APRIL 7, 1978, CONCERNING SPRING 1978 RPTD PRODUCTIONS SURVEY

1. GENERAL

A. Telephone Retrieval Of Missing Cigarette Brand/Volume Information

It was suggested that NFO contact, via WATS line, respondents who failed to report cigarette brand name or smoking volume.

NFO will advise whether or not this procedure is to be followed.
(Decision needed before April 22, the starting date for editing and coding.)

B. Respondents Aged 17 And Younger Reported By The Survey

1. Respondents Aged 17 To 20

Cards were punched for all respondents 17 to 20.

Such respondents are to be used for the cigarette profile report on young smokers, but are to be excluded from R-I-O analyses, and from cigarette and R-I-O availability counts. (Males aged 17 to 20 will, as usual, be included in analyses and availability counts of pipe and cigarette smokers.)

2. Respondents Aged 17 And Younger

Cards were punched, for those who are cigarette smokers, to provide counts, by year, of the very young smokers reported.

A. Profile Reports

1. Profile Reports

Before proceeding with R-I-O scale computer runs, the following data are to be produced and evaluated.

- a. For each of the 4 panel cells, the following questionnaires:
Cigarette and R-I-O vs. New Data, National vs.

Report rates:

Smoking incidence: total respondents 17 and older
Brand preference: total smokers 17 and older.

- b. Smoking incidence and brand preference, by age, of the under-20 respondents to the new questionnaire. Age groups to be used are 17-19, 20-29.

After evaluating the foregoing, NFO will advise whether:

- a. All sample cells are to be used in producing profile data on adult smokers;
b. The lower age limit for the profile of young smokers is to remain at 17.

EXHIBIT NO. 6
Wit: J. MOORE
Date: 6/4/98
Rptr: 186

2. Reports To Be Produced

Two separate and complete profile reports are to be produced:

- The standard report based on respondents 21 and older;
- A report based on respondents 14 to 20 (assuming no change in the lower age limit). This report is to replicate that on adult smokers, except that the age breaks will be 14-15, 16-17, 18-20.

An additional table is to be produced, showing smoking incidence and brand preference, in total and by sex, among total respondents 14 and older, to the new questionnaire.

3. Changes Requested In Previous Reports

Handling of Filter Brands

Include current and all future profile reports. Cigarettes and any brand introduced in the future, is to be handled as a flavor filter brand. The line "Flavor Filter" is to be added to the list of brand types for which preference are computed.

100ms

VANTAGE, New Leaf, Eve Non-Menthol, Eve Menthol and 100ms are to be added to the list of brand types for which preference are computed.

Following changes are to be made in the list of brands for which distributions of smokers and volume are shown:

100ms Women's Cigarette Category (Total Non-Menthol, Menthol);

100ms Thins (Virginia Slims and Silva Thins).

3. Trend Tables

1. Respondents 21 and older

Two based on smokers 21 and older, from the same sample as used for the adult profile reports.

Include shares and indices for the current and five preceding periods.

Revised prior to profile and brand switching reports.

Delivered in the form of computer print, for annotation and reproduction by MDD.

2. Three trend tables are to be produced in addition to those covered in MDD's original request dated 12/3/70:

VANTAGE, share of total smokers (current period only);
VANTAGE, share of 8mm low-flavor Thins (current period only);
Menthol 8mm Filters excluding Salem 8 and Kool 85, share of total smokers (all periods)

*100ms Women's Cigarette Category is comprised of Virginia Slims, Silva Thins and Eve.

5000 1103

52189 5179

RJM 061-51

3. Easy is recomputing April and October, 1970, brand data for the following types/brands, to reflect the repositioning of Laredo into the normal-flavor 85's category:

Share of Total Smokers —

Total Non-Filter
Total Normal-Flavor 85's
Normal-Flavor 85's excluding WINSTON 85

Share of Non-Filter —

CAMEL Non-Filter
Lucky Strike Non-Filter
Wheatfield Non-Filter
Full Moon Non-Filter

Share of Normal-Flavor 85's —

WINSTON 85
CAMEL Filter
Lucky Strike
Wheatfield 85
Full Moon 85

Share of Normal-Flavor 85's and 100's —

(Total WINSTON 85 and Super King Non-menthol)

Brand Share Report

1. Tables 1 through 11 are to be produced as usual, except that the brand share tables are to be extended to conform with that for the "Gains Losses Relative To Brand Share", as set forth in the 10/8/70 request.

2. The format of tables on the distribution of gains/losses is to be changed to conform with R-JC prototypes.

3. The format of distribution of gains/losses tables are to be produced for the brands as in the 10/8/70 request, plus the additional types brands listed in the 10/8/70 request.

4. Except that R-JC analysis will be confined to "old line" R-JC's (excluding Laredo).

5. Additional gains loss tables were requested for Laredo and VANTAGE, but numbers of smokers in Laredo are too small for the analysis.

6. The analyses of CAMEL Non-Filter and CAMEL Filter gains/losses, by 85's, are to be produced as usual, while the table on smoking habits is to be discontinued.

From RJTC

52189 5180

produced by RJRTC

in

HUMPHREY

III. Roll-Your-Own, Pipe Tobacco, Chewing Tobacco

1. Directives for expanding the analyses of these categories are outlined in Mr. Murphy's memorandum, except for the following telephoned additions:

Roll-Your-Own:

Velvet is to be added to the list of brands for which a special four-page analysis of regular vs. occasional smokers is to be produced.

PIPE Tobacco:

In addition to the profile of total pipe smokers, individual analyses are to be produced for pipe smokers and usually buy the solvent pouch, the secret tin, the rounder tin.

Velvet is to be added to the analysis brands for which reproductions of smokers and volume are shown on Table II.

2. To enable us to produce the requested analyses of imported vs. domestic pipe tobacco, Mr. Murphy will supply us with a list of the brands to be included in each category.

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RJM 061453

71M00109

J.R. Moore

February 21, 1980

BEST
COPY

Mr. J. B. Stuart

RE: DIFFERENCES BETWEEN GALLUP POLL ESTIMATES AND HEW
ESTIMATES OF TEENAGE SMOKING INCIDENCE

Per your request, the following are my comments on the difference between the Gallup estimates and my HEW-based estimates of smoking incidence.

- Historically, all Gallup Poll estimates of smoking incidence have been higher than HEW's. For example, in 1974 and 1978 Gallup's estimate of adult smoking incidence was approximately 3% higher than HEW's estimate.

The primary reason for this discrepancy appears to be in the definition of a current smoker.

- Gallup defines current smokers as those who respond affirmatively to the question: "Have you smoked any cigarettes in the past week?"
- HEW defines current smokers as those who answer yes to: "Do you now smoke?" This definition is further qualified by asking if the respondent smokes one or more cigarettes per day.

Gallup's definition appears more likely to include an occasional smoker, i.e., the guy who smokes a couple of cigarettes when out on a Friday night. This definition also tends to count experimental smokers as part of the smoking population. Since the majority of experimental smokers are young, the inflationary effect of this definition (relative to HEW) would be highest among teenagers.

- The Gallup estimates quoted in the attached article may not be directly comparable to my estimates. It appears that 18 year olds are included in the Gallup incidence figures, while my estimates cut-off at 17 year olds.
- Differences in sampling methodology are not a major contributor to the discrepancy. Both Gallup and HEW used telephone surveys, and any differences in sample size and sampling error would appear to be relatively minor.

CX-777

EXHIBIT NO. 7
Wit: *J. Moore*
Date: *6/4/98*
Rptr: *186*

RM035246

Produced to Federal Trade Commission pursuant to subpoena dated June 9, 1997.

52189 5182

50144 4437

Mr. J. D. Stuart
Page Two
February 21, 1980

- Finally, while it is difficult to say which is the better measure of true smoking incidence, my estimates agree more closely with a 1979 study by the National Institute of Education (received by our library less than two weeks ago). This report estimates smoking incidence among 12-18 boys at 10.7% and among 12-18 girls at 12.7%. The report is quoted in the March 3, 1980 issue of Forbes Magazine (see attached).

Most importantly, I do not believe the differences (however large they may actually be) result in substantively different major conclusions or future implications. Both studies conclude that incidence is higher among girls than boys, teenage boys are heavier smokers, etc.

Please let me know if I can be of any further assistance.

Steve
Stephen R. Perry
Marketing Research Department

SRP:dmb

Attachment

cc: Mr. U. Frydman
Mr. J. R. Moore
Mr. R. C. Nordine
MRD Library

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5183

50144 4430

RM035247

TO: Mr. J. R. Moore

SUBJECT: TEENAGE SMOKERS (14-17) AND NEW ADULT SMOKERS AND QUITTERS

INTRODUCTION

This is the second report relating to teenage smokers and new adult smokers and quitters. The first report, released in January, presented Spring 1979 data; this report updates that to include Fall 1979 data. Similar reports will be provided semi-annually, coinciding with the semi-annual release of National Family Opinion, Inc. (NFO) data.

The data analyzed in this report was obtained from NFO of Toledo, Ohio, which maintains a panel of adult consumers for the purpose of conducting consumer surveys. For the past 15 years RJR has used NFO for product testing and regularly tracking adult smoker profiles and switching. The data regarding teenagers, new smokers, and quitters is a natural by-product of the tracking of adult smokers. No special effort is made to gather this data and it is not to be used for marketing strategy purposes.

SUMMARY OF KEY FINDINGS

Below is a summary of the key findings based on the analysis of teenage smokers and new adult smokers and quitters.

Smoking Among the 14-17 Age Group/Aging

- RJR is continuing to lose share among teenage smokers, with 19.9% of the teenage smokers in Fall 1979 versus 21.3% in Spring 1979. Both WINSTON and SALEM have been steadily losing share among this age group: WINSTON'S share was 7.2% in Fall 1979 versus 8.3% in Spring 1979, while SALEM'S share was 7.9% in Fall 1979 versus 10.6% in Spring 1979. In addition, RJR is losing share points due to aging, which is the natural process of 18 year olds entering the market and 30+ smokers leaving the market. RJR's losses are due to a declining share among 18 year olds coupled with a relatively steady share among 30+ smokers.

CX-63

EXHIBIT NO.	8
Wit:	J. Moore
Date:	6/4/98
Rptr:	W

RM027421

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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SUMMARY OF KEY FINDINGS (Continued)

1. Smoking Among The 14-17 Age Group (Aging) (Continued)

- P. Morris continues to gain share among the 14-17 year old age group, with 62.6% in Fall 1979 versus 59.8% in Spring 1979. Marlboro, which had 52.0% of teenage smokers in Fall 1979, accounts for a large portion of P. Morris' share among teenagers. However, nearly all of their brands experienced share increases among teenagers from Spring to Fall 1979 (B&W, Virginia Slims, Merit, Parliament and Saratoga all gained in share). P. Morris' large share among 18 year olds has made it the only company to realize substantial share gains due to the aging process.

American, Liggett & Myers and B&W all continue to lose share due to the aging process, primarily because of decreasing shares among 18 year olds, and stable or increasing shares among the 30+ age group. Lorillard nearly breaks even due to the aging process.

2. New Adult Smokers and Quitters

Males and 14 year old smokers are the most active groups in terms of starting and quitting smoking; that is, relative to their share they have the highest starting and quitting rates.

There is no indication that the ultra low tar category is walking smokers out of the market: relative to share the quit rate among ultra low tar smokers is not significantly greater than the quit rate among either full flavor low tar smokers, or full flavor smokers.

RJR continues to lose share due to the effect of new smokers and quitters. RJR had an increase in losses in Fall 1979 (-.16 share) versus -.04 share in Spring 1979 due to both a decrease in new smokers and an increase in quitters.

Lorillard and American both lose share due to the effect of new smokers and quitters. Liggett & Myers approximately breaks even, while P. Morris and B&W gain share from the effect of new smokers and quitters.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5185

Smoking behavior of 14-17 year olds is analyzed in order to improve our ability to forecast future trends. It is not designed to be used as a tool for developing marketing strategies for this population group.

The analysis is divided into two sections:

- Share of each of the six companies and five key brands among the age group.
- Net effect of aging on each of the six company's franchises and five key brand's franchises, and future trends.

The previous report provided a demographic description of 14-17 year old smokers, including population, incidence, rate and volume. Since population estimates are made only on a yearly basis, this table will be provided once a year rather than semi-annually (it will be provided semi-annually if there is a major change in rate per day, which would affect volume figures).

1. Share of Company and Key Brand Among 14-17 Year Old Smokers

Table I illustrates share of companies and key brands among teenagers, and Table II illustrates the percent of total volume for teenagers among companies and key brands.

TABLE I
SHARE AMONG 14-17 AGE GROUP

	Share Among 14-17		
	1975	Spring 1979	Fall 1979
RJR	29.9	21.3	19.9
WINSTON	12.5	8.3	7.2
SALEM	10.6	10.6	7.9
P. Morris	39.6	39.8	62.6
Marlboro	36.1	51.5	52.0
American	1.2	.2	.8
B&W	22.0	8.5	5.2
Kool	19.8	6.4	4.2
P. Lorillard	7.3	3.7	11.1
Newport	4.1	7.8	8.9
Liggett & Myers	1.3	1.0	.2
Total of 5 Brands	83.3	84.5	80.2

Source: NFO Estimates

Produced by RTRC
in
HUMPHREY
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997

52189 5186

TABLE 11
14-17 AGE GROUP ESTIMATED PERCENT
OF TOTAL INDUSTRY VOLUME

	1 of Total Industry		
	1975	Volume Spring 1979	Fall 1979
RJR	.88	.43	.40
WINSTON	.40	.17	.14
SALEM	.33	.21	.16
P. Morris	1.25	1.18	1.25
Marlboro	1.14	1.03	1.04
American	.04	.01	.02
Camel	.70	.11	.11
101	.68	.17	.08
P. Lorillard	.21	.19	.22
Newport	.14	.15	.14
Liggett & Myers	.04	.02	.00
Total 1 of Industry Volume	3.14	2.90	2.90*

SOURCE: Estimated based on number of teenage smokers, rate per day and share of smokers.

* Because population was assumed to remain the same from Spring to Fall, 1979 and because rate per day did not change during this time, total industry volume among 14-17 year olds was also assumed to remain the same from Spring to Fall. Share for Fall 1979 is added to illustrate how share has shifted between brands and companies from Spring to Fall.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5187

RM027424

- RJR's share of teenage smokers declined from 11.1% in Spring 1979 to 10.9% in Fall 1979.

- Winston's share of teenage smokers has declined steadily from 1975 to Spring and Fall 1979, with a share of 7.2% in Fall 1979.

- Salem's share of teenage smokers remained steady from 1975 to Spring 1979 (10.6%) and then dropped considerably in Fall 1979 (to 7.9%). A fourth reporting period is necessary to determine whether Salem's decline in Fall 1979 indicates a significant trend.

- Philip Morris continues to gain among teenage smokers, accounting for 62.6% of the 14-17 year old market in Fall 1979 versus 58.8% in Spring 1979.

Marlboro, which continues to gain share among teenagers, accounts for a large portion of P. Morris' share among this age group. Marlboro's share of teenagers was 52% in Fall 1979.

- Other P. M. brands are also increasing in share among teenage smokers. B&W, Virginia Slims, Merit, Saratoga, and Parliament's combined share increased from 6.8% of the teenage smokers in Spring 1979 to 9.2% in Fall 1979. (Because none of the brands individually account for much of the teenage market - 2.3% at most - they are not presented in the table.)

P. Lorillard is the only company other than P. Morris to be gaining share among the 14-17 year olds. Newport's increasing popularity among this group is the prime contributor to Lorillard's growth in share among the 14-17 year olds. Newport overtook both SALEM and KOOL in share of the teenage market in Fall 1979, making Newport the second most popular brand among teenagers, after Marlboro.

- American's share among 14-17 year olds declined from 1975 to Spring 1979, and increased slightly in Fall 1979. The increase is not significant and may not indicate a positive trend for American among this age group. American remains an unimportant factor in the teenage market along with Liggett & Myers, whose share among the teenage market was only 0.2% in Fall 1979.

B&W's share among 14-17 year olds has been steadily decreasing, primarily due to KOOL's decline among the teenage market. In Fall 1979, B&W held only 3.2% of the teenage market versus 12.0% in 1975.

Produced by RJR
Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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This analysis assumes that each of the six companies had five day brands.

TABLE III
SHARE AMONG 18 AND 50+ YEAR OLDS

	Share Among 18			Share Among 50+		
	1975	Spring 1979	Fall 1979	1975	Spring 1979	Fall 1979
RJR	28.0	25.0	23.6	33.3	33.3	32.6
WINSTON	12.8	9.2	8.2	11.2	9.6	9.8
SALEM	10.5	11.4	10.2	8.1	9.3	8.4
P. Morris	44.0	52.0	54.9	15.3	15.7	16.5
Marlboro	34.6	41.2	42.1	5.0	3.8	4.9
American	1.4	.5	.9	17.7	17.9	17.3
BSW	18.0	11.1	9.6	12.5	12.3	12.6
Kool	13.0	8.7	7.6	4.2	3.8	3.9
P. Lorillard	11.5	10.5	10.7	13.4	13.4	14.0
Newport	1.5	0.2	0.1	.6	.2	.3
Liggett & Myers	1.2	.7	.3	7.6	6.8	5.8

SOURCE: Share among 18 year olds is based on NRC data. Share among 50+ year olds is based on NRC data. Share among 18 year olds is based on NRC data. Share among 50+ year olds is based on NRC data. Share among 18 year olds is based on NRC data. Share among 50+ year olds is based on NRC data.

TABLE IV
NET EFFECT OF AGING

	Share Point Change		
	1975	Spring 1979*	Fall 1979*
RJR	-.06	-.10	-.11
WINSTON	.00	-.02	-.03
SALEM	+.04	+.03	+.02
P. Morris	+.40	+.40	+.42
Marlboro	+.40	+.41	+.41
American	-.22	-.19	-.18
BSW	+.06	+.03	+.04
Kool	-.20	-.04	+.03
P. Lorillard	-.03	-.01	-.01
Newport	-.03	-.01	-.03
Liggett & Myers	-.06	-.08	-.08

Source: Estimates calculated based on rate per day and share of smokers.

* Spring and Fall 1979 share points are annualized: that is, they represent the share gain/loss that would be realized for an entire year based on the NRC data for the reporting period.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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RM027426

- RJR lost .11 share points in Fall 1979 and .10 in Spring 1979, versus a loss of .10 in Spring 1979.

- RJR's increasing losses are due to a declining share among 18 year olds coupled with a relatively stable share among 50+ smokers.
- Some of RJR's losses are due to Winston, which is losing share among 18 year olds, and to Salem, which is experiencing decreases in its net gains due to aging.
- There are no indications that these trends will level off in the near future.

• Of the six companies, Philip Morris is the only one which realizes substantial gains from aging. Philip Morris gained .40 share in Spring 1979 and .42 share in Fall 1979 due to the aging process.

Much of Philip Morris' gains come from Marlboro, although it appears that Marlboro's share among 18 year olds is beginning to stabilize, only a .2 share loss in share from Spring to Fall 1979.

The growth in Philip Morris brands among 18 year olds will allow Philip Morris to offset its gain from the aging process even if Marlboro's share declines. (Total Philip Morris' share of 18 year olds increased by 2.9% from Spring to Fall 1979, versus Marlboro's increase of only .2%).

• Lorillard needs breaks even in terms of the aging process. In Fall 1979 it lost .02 share points due to aging, and lost .01 share points in Spring 1979. While Lorillard is gaining share among 18 year olds, it is also gaining share among the 50+ age group, thus causing the effects of aging to wash out. Newport has a positive effect on Lorillard in terms of aging (it gained .08 share points in Fall 1979), but it is neutralized by losses from other Lorillard brands.

• American and Liggett & Myers are both losing share points due to the aging process, although their rates of loss appear to have stabilized.

- American has the largest loss of any company (.18 in Fall 1979), which is traced to its very low share among 18 year olds coupled with its high share among the 50+ age group.

- Liggett also has a very low share among 18 year olds, but its losses (.12 in Fall 1979) are somewhat offset by a low share among the 50+ age group.

Produced by RJR in 1979

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1979.

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RM027427

produced by RJRTC

in

HUMPHREY

- B&W, which gained share in 1978 and 1979, is now losing share due to aging, with a loss of .08 in Spring 1978 and .04 in Fall 1979. The losses are partially due to a steady decline in Wool's share among 18 year olds, coupled with B&W's stable share among the 50+ age group. It appears that B&W will continue to lose share due to the aging process.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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RM027428

produced by RJBTC

2000

- New smokers and quitters by demographics.
- New smokers and quitters by categories.
- Estimated impact of new smokers and quitters on RJR and competitive companies share.

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5192

1. New smokers and quitters in the population

TABLE 7

PERCENTAGE OF NEW SMOKERS AND QUITTERS BY DEMOGRAPHICS
AND THEIR INDEX RELATIVE TO THEIR SHARE

	% Of New Smokers			% Of Quitters			Index of New Smokers*			Index of Quitters*		
	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979
Male	55.6	56.7	55.5	57.8	56.6	56.5	108	110	108	110	110	109
Female	43.4	43.3	44.5	42.2	43.4	43.5	91	89	92	89	89	91
18-24	18.1	20.0	21.1	15.4	12.9	13.3	182	150	188	152	128	126
25-34	27.1	27.8	28.1	26.8	26.6	26.0	111	118	114	107	113	108
35-49	26.2	25.1	24.1	24.7	24.3	24.1	97	92	75	112	98	97
50+	29.4	26.9	22.2	22.1	23.6	23.0	86	76	107	95	91	90

Source: NCI Surveillance

* The index represent the percentage of New (Quit) smokers in the demographic break relative to the percentage of total smokers in the demographic break.

Key Findings:

Males are more active than females in terms of both quitters and smokers, relative to what would be expected based on their share. In addition, while male's share of the smoking market has been steadily declining, their percentage of quitters and new smokers has declined proportionately, still leaving them more active than females in terms of quitters and new smokers.

The 18-24 year olds are more active than any other age group in terms of both quitters and new smokers, relative to what would be expected based on their share. Their percentage of quitters did drop in both Spring and Fall 1979 versus 1976, but relative to share quitting still remained higher than any other age group.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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Key Findings Continued

- The 25 and over age groups are relatively similar in their quitting and new smoking activities. While there are some fluctuations between 1976, Spring 1979 and Fall 1979, the fluctuations are not consistent enough to indicate any clear trends in quitters or new smokers among the various age groups.

2. New Smokers and Quitters by Categories

TABLE VI

PERCENTAGE OF NEW SMOKERS AND QUITTERS BY CATEGORIES AND THEIR INDEX RELATIVE TO THEIR SHARE

	Percent New Smokers		Percent Quitters		Index Of New Smokers*		Index Of Quitters*	
	Spring 1979	Fall 1979	Spring 1979	Fall 1979	Spring 1979	Fall 1979	Spring 1979	Fall 1979
NON-FILTER	7.0	6.0	7.0	6.0	73	81	62	57
NON-MENTHOL								
Full Flavor	26.1	26.1	23.1	22.4	100	38	106	97
Low Tar	31.9	31.9	30.5	31.9	104	98	104	96
Full Flavor Low Tar	24.4	25.8	24.3	24.9	106	102	105	98
Ultra Low Tar	6.1	6.1	6.2	7.0	100	85	100	100
MENTHOL								
Full Flavor	15.1	15.1	13.9	13.4	93	117	95	97
Low Tar	12.8	12.8	14.2	15.0	122	121	114	96
Full Flavor Low Tar	15.1	15.1	11.0	12.0	120	120	110	98
Ultra Low Tar	3.7	3.7	3.2	2.9	128	128	128	100

Source: NFO Estimates

- * The indexes represent the percentage of New (Quit) smokers in the category relative to the percentage of total smokers in the category.

Key Findings:

- There is no indication as of yet that the ultra low tar category is walking smokers out of the market: relative to their share, ultra low tar smokers are no more likely to quit smoking than are full flavor low tar smokers or full flavor smokers. However, the low tar category, particularly menthol, obtains more

RM027431

Key Findings: Continued

than its share of new smokers. This may somewhat reflect the phenomenon of smokers starting and quitting several times a year. New smokers and quitters by category will continue to be tracked in the future in order to gain a better understanding of the effect the ultra low tar category has on new smokers and quitters.

3. Share of New Adult Smokers and Quitters Among Companies and Key Brands, and Effect on Share

The first table presents the share of new smokers and quitters by company and key brands, and the second table presents estimates of the net impact of new smokers and quitters on company share of market.

TABLE VII

SHARE OF NEW ADULT SMOKERS AND QUITTERS
AMONG COMPANIES AND KEY BRANDS

	Share of New Smokers			Share of Quitters		
	1976	Spring 1977	Fall 1979	1976	Spring 1979	Fall 1979
RJR	36.0	34.8	34.5	35.5	34.7	36.5
WINSTON	13.0	11.9	13.3	13.5	13.3	10.7
SALEM	10.0	11.4	10.1	11.3	10.5	12.5
P. Morris	25.1	26.2	26.7	23.2	26.4	27.6
Marlboro	13.9	14.2	20.8	13.1	13.2	15.8
American	11.6	9.6	7.5	12.0	11.4	9.6
B & W	13.4	13.0	8.4	14.3	11.9	9.8
Kool	8.2	6.5	5.7	7.6	5.9	5.4
Lorillard	10.3	13.0	11.5	10.5	12.7	14.3
Newport	1.0	1.6	1.8	1.2	1.1	1.7
Pagett & Myers	3.1	2.9	1.4	4.4	2.7	2.1
Total # New/Quits (Millions)	1.9	2.1	2.1*	3.1	3.4	3.4*

Source: NPD Estimates

* Because no new data was available to suggest otherwise, the number of new/quits was assumed to remain the same from Spring to Fall 1979. Share for Fall 1979 was provided to illustrate how share has shifted between companies and brands from Spring to Fall.

EFFECT OF NEW SMOKERS AND QUITTERS
ON SHARE OF MARKET

	1976	Spring 1979	Fall 1979
RJR	-.04	-.04	-.16
P. Morris	-.08	+.05	-.30
American	+.02	-.05	-.01
B & W	+.03	+.12	+.07
Lorillard	-.05	-.09	-.20
Liggett & Myers	-.04	+.02	0

Source: Estimates calculated based on number of New, Quits, rate per day, and share of smokers.

Key Findings:

Company share was not significantly affected by new smokers and quitters in either 1976 or Spring 1979; however, in Fall 1979 there were some major shifts in new smokers and quitters between companies, generating larger gains and/or losses for some companies. Another reporting period is necessary to determine whether the changes are significant and indicate long-term trends for the companies.

- RJR lost .16 share points in Fall 1979, versus a .04 loss in share in both 1976 and Spring 1979. The increase in loss was due to both a decrease in new smokers and an increase in quitters.
- P. Morris gained .30 share points in Fall 1979 (versus .05 in Spring 1979), primarily due to surge of new smokers to Marlboro.
- Lorillard lost .20 share points in Fall 1979 (versus .09 in Spring 1979) due to both a decrease in new smokers and an increase in quitters.
- American, B&W and Liggett & Myers have all been relatively stable in terms of their gains/losses from new smokers and quitters.

If you have any questions, please call.

Kay Duffy
Kay Duffy

cc: Mr. S. R. Perry

Produced to Federal Judge's Commission pursuant to subpoena dated June 6, 1997.

52189 5196

RM027433

INTER-OFFICE CORRESPONDENCE

RJ Reynolds Tobacco Company
Winston-Salem, N.C. 27102

RJR

July 22, 1980

TO: Mr. E. A. Horrigan, Jr.
FROM: G. H. Long
SUBJECT: MDR Report on Teenage Smokers (14-17)

Attached is a MDR report covering the aforementioned subject. Last January, a report was issued on this subject that indicated that Philip Morris had a total share of 59 among 14-17 year old smokers, and specifically, Marlboro had a 52 share. This latest report indicates that Philip Morris' corporate share has increased by about 4 points; however, Marlboro remains the same at 52.

Importantly, the report further indicates that RJR continues to gradually decline, and between the spring and fall 1979 periods, RJR's total share declined from 21.3 to 19.9.

Hopefully, our various planned activities that will be implemented this fall will aid in some way in reducing or correcting these trends.

GHL/bb

Attachment

G. H. Long
G. H. L.

CX-65

EXHIBIT NO.	9
Wit:	J. Moore
Date:	6/4/98
Appt:	Pr

RJM 068723

80M00578

July 31, 1960

TO: Mr. J. B. Stuart

SUBJECT: Addendum for Report "TEENAGE SMOKERS (14-17) AND
NEW ADULT SMOKERS AND QUITTERS"

Following is an analysis of teenage smokers and new adult smokers and quitters for Camel, Vantage, More and Now. This serves as an addendum to the report issued on July 18, 1960 (attached), which did not analyze the brands listed above. These brands will be tracked in all future reports.

To assist in referring to the original report, the tables presenting the four additional brands are numbered and labeled the same as their corresponding tables in the original report.

SUMMARY OF KEY FINDINGS

- Neither CAMEL, VANTAGE, MORE or NOW account for a very large portion of the teenage smokers. CAMEL has the largest share, with 2.4% of teenage smokers in Fall, 1959. CAMEL does appear to be growing among the age group, primarily due to CAMEL Lights. VANTAGE also appears to be growing, although at a slower rate than CAMEL.
- All four of the brands lose share due to the aging process. CAMEL loses the largest share, .04, primarily due to CAMEL Regular's high share among the 50+ age group.
- Each of the four brands have approximately the same percentage of new smokers as they have quitters. They each gain and lose smokers at the levels expected based on their share of market.

CX-66

EXHIBIT NO.	10
Wit.	J. Moore
Date:	6/4/68
Rptr.	W.R.

RM027434

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1967.

52189 5198

A. SMOKING AMONG THE 14-17 AGE GROUP AGING

1. Share of Four RJR Brands Among 14-17 Year Old Smokers

TABLE I

SHARE AMONG 14-17 AGE GROUP

	<u>Share Among 14-17</u>	
	<u>Spring</u> <u>1979</u>	<u>Fall</u> <u>1979</u>
CAMEL	1.2	2.4
VANTAGE	1.0	1.9
MORE	.1	.3
NOW	.1	.1

SOURCE: NFO Survey Data

2. Smoking Among

TABLE III

SHARE AMONG 18 AND 50+ YEAR OLDS

	<u>Share Among 18</u>		<u>Share Among 50+</u>	
	<u>Spring</u> <u>1979</u>	<u>Fall</u> <u>1979</u>	<u>Spring</u> <u>1979</u>	<u>Fall</u> <u>1979</u>
CAMEL	2.3	2.4	6.0	6.3
VANTAGE	1.5	1.9	3.3	3.1
MORE	.2	.3	2.9	3.0
NOW	.1	0	.2	.8

SOURCE: Share estimates based on NFO data. Share among 18 year olds estimated by trending share among 16-17 to 18-20.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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GENERAL

NET EFFECT OF AGING

	Share Point Change	
	Spring 1979	Fall 1979
CAMEL	-.04	-.04
VANTAGE	-.02	-.02
MORE	-.03	-.03
NOW	-.01	-.01

SOURCE: Estimate calculated based on rate per day and share of smokers.

B. NEW ADULT SMOKERS AND QUITTERS

1. Share of New Adult Smokers and Quitters Among Companies and Key Brands

TABLE VII

SHARE OF NEW ADULT SMOKERS AND QUITTERS
AMONG COMPANIES AND KEY BRANDS

	Share of New Smokers		Share of Quitters	
	Spring 1979	Fall 1979	Spring 1979	Fall 1979
CAMEL	4.0	3.8	4.2	4.3
VANTAGE	3.5	3.5	2.5	4.2
MORE	1.5	1.7	1.1	1.4
NOW	.8	.8	.9	1.4

SOURCE: NRC Estimates

Please call if you have any further questions.

Kay Duffy
Kay Duffy

KD/ed

cc: Mr. S. R. Perry
Mr. J. R. Moore

October 29, 1980

TO: Mr. Jerry R. Moore
FROM: Ms. Kay Duffy
SUBJECT: TEENAGE SMOKERS (14-17) AND NEW ADULT SMOKERS AND QUITTERS

INTRODUCTION

This is the third report relating to teenage smokers and new adult smokers and quitters. This report updates the previous reports to include Spring 1980 data. These reports are provided semi-annually, coinciding with the annual release of National Family Opinion, Inc. (NFO) data.

The data analyzed in this report was obtained from NFO Inc. of Toledo, Ohio, which maintains a panel of adult consumers for the purpose of conducting consumer surveys. For the past 15 years RJR has used NFO for product testing and regularly tracking adult smoker profiles and switching information. The data regarding teenagers, new smokers and quitters is a natural by-product of the tracking of adult smokers. No special effort is made to gather this data and it is not to be used for marketing strategy purposes.

SUMMARY OF KEY FINDINGS

Below is a summary of key findings based on the analysis of teenage smokers and new adult smokers and quitters.

Smoking Among The 14-17 Age Group/Aging

- RJR's share of teenage smokers has stabilized, with a share of 20.2% in Spring 1980, 19.9% in Fall 1979, and 21.3% in Spring 1979. WINSTON realized a slight increase in share of teenage smokers in Spring 1980 (7.8%) versus Fall 1979 (7.2%). SALEM continued to lose share among teenagers, with 7.5% in Spring 1980 versus 7.9% in Fall 1979. CAMEL, VANTAGE, MORE and NOW all have a relatively low share of teenage smokers, and none are gaining significantly among this age group.

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1. Smoking Among The 14-17 Age Group Aging (Continued)

- RJR continues to lose share points due to aging, which is the natural process of 18 year olds entering the market and 50+ smokers leaving the market. RJR lost .14 share points in Spring 1980 versus a loss of .11 share points in Fall 1979. RJR's increasing losses are due to a declining share among 18 year olds coupled with a relatively stable share among 50+ smokers.

- P. Morris' share of teenage smokers declined slightly in Spring 1980 (61.5%) versus Fall 1979 (62.6%). The decrease is due to a decline in Marlboro's share among teenagers from 52.0% in Fall 1979 to 49.9% in Spring 1980. However, the P. Morris share gains continue to increase due to the aging process, with a gain of .46 in Spring 1980 versus a gain of .44 in Fall 1979. The increase from 1979 to 1980 came from brands other than Marlboro (primarily Merit), which increased its share among the 18 year old age group.

- P. Lorillard, B&W, American and Liggett & Myers all continue to lose share due to the aging process, primarily due to decreasing shares among the 18 year old group coupled with stable or increasing shares among the 50+ age group.

New Adult Smokers and Quitters

- Males and 18-24 year old smokers continue to be the most active groups in terms of starting and quitting smoking.

- Fuller flavor low tar smokers quit smoking at a somewhat higher rate than do ultra low tar smokers. Full flavor smokers quit at approximately the same rate as ultra low tar smokers.

- RJR broke even in terms of the share effect of new smokers and quitters in Spring 1980. This compares to a loss of .04 share points in Spring 1979 and in 1976.

- P. Morris and B&W continue to gain share due to the effect of new smokers and quitters while American, P. Lorillard and Liggett & Myers continue to lose share due to new smokers and quitters.

A. SMOKING AMONG THE 14-17 AGE GROUP AGING

Smoking behavior of 14-17 year olds is analyzed in order to improve our ability to forecast trends. It is not designed to be used as a tool for developing marketing strategies for this age group.

The analysis is divided into three sections:

- Demographic description of 14-17 year old smokers - population, incidence, rate and volume.
- Share of each of the six companies and key brands among the age group.
- Net effect of aging on the six company's franchise and key brands' franchises.

Demographic Description of Teenage Smokers

TABLE 1
SUMMARY OF DEMOGRAPHIC DATA

	Males			Females			Total		
	1975	1979	1980	1975	1979	1980	1975	1979	1980
Population (Millions)	8.3	8.3	8.0	8.3	8.0	7.7	16.9	16.3	15.7
Incidence	17.0	10.6	10.6	17.4	13.1	13.1	17.2	11.9	11.9
# Of Smokers (Millions)	1.5	.9	.8	1.4	1.0	1.0	2.9	1.9	1.8
% Of Total Smoking Population	1.7	1.5	2.7	1.9	1.9	3.5	3.6	3.4	
Rate/Day	18.9	19.1	19.1	15.6	16.4	16.3	17.2	17.7	17.4
Volume (Billion)	10.2	6.1	5.6	8.3	6.3	5.9	18.5	12.4	11.5
Share of Market	1.7	1.0	.9	1.4	1.0	1.0	3.1	2.0	1.9

Sources: Population - U.S. Census Projections
Incidence - 1979 H&W estimates
Rate Day - Adjusted NFO

* No new estimates available for 1980

Key Findings:

- Teenage smokers' share of total cigarette volume declined from 3.1% in 1975 to 1.9% in 1980. This decline is due to a decrease in teenage population coupled with a decrease in smoking incidence among teenagers.
- While rate per day among 14 - 17 year olds increased between 1975 and 1979, it declined slightly between 1979 and 1980. This compares with a slight increase in rate per day among adult smokers from 1979 to 1980.
- Male teenagers' volume is decreasing at a faster rate than female teenagers' volume. From 1979 to 1980, male's volume decreased by 8.2% while female's volume decreased by 6.3%.

4. Share of Companies and Key Brands Among 14-17 Year Old Smokers

Table II illustrates share of companies and key brands among teenagers, and Table III illustrates the percent of volume for teenagers among companies and key brands.

TABLE II

SHARE AMONG 14-17 AGE GROUP

		Share Among 14-17		
		Spring 1979	Fall 1979	Spring 1980
	1975			
WINSTON	29.9	21.3	19.9	20.2
SALEM	12.5	8.3	7.2	7.8
CAMEL	10.6	10.6	7.9	7.5
VANTAGE	NA	1.2	2.4	2.2
MORE	NA	1.0	1.9	1.8
NOW	NA	.1	.3	.2
	NA	.1	.1	.3
Morris	39.6	58.8	62.6	61.5
Marlboro	36.1	51.6	52.0	49.9
Merit	NA	2.1	2.8	3.8
B&H	NA	2.6	2.8	2.2
Virginia Slims	NA	1.7	2.3	1.4
American	1.2	.3	.8	.6
Carlton	NA	.1	.1	.1
Kool	22.0	6.9	5.2	5.9
	19.8	6.4	4.2	4.9
P. Lorillard	7.3	9.7	11.1	11.2
Newport	4.3	7.6	8.9	9.4
Kent	NA	1.2	1.0	1.2
Liggett & Myers	1.3	1.0	.0	.1

Source: NFO Estimates

* Includes Kent, Kent III, and Golden Lights

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TABLE III

14-17 AGE GROUP ESTIMATED PERCENT
OF TOTAL INDUSTRY VOLUME

	% Of Total Industry			
	1975	Spring 1979	Fall 1979	Spring 1980
WINSTON	.88	.43	.40	.39
SALEM	.40	.17	.14	.15
CAMEL	.33	.21	.16	.15
ANTAGE	NA	.02	.05	.04
MORE	NA	.02	.04	.03
HOW	NA	*	.01	*
	NA	*	*	.01
P. Morris	1.25	1.18	1.25	1.19
Marlboro	1.14	1.03	1.04	.97
Merit	NA	.04	.06	.07
B&H	NA	.05	.06	.04
Virginia Slims	NA	.03	.05	.03
American	.04	.01	.02	.01
Carlton	NA	*	*	*
B&W	.70	.18	.11	.11
Kool	.63	.13	.08	.10
P. Lorillard	.23	.19	.22	.22
Newport	.14	.15	.18	.18
Century	NA	.02	.02	.02
Liggett & Myers	.04	.02	.00	.00
% Of Industry Volume	3.14	2.00	2.00	1.94

Source: Estimates based on number of teenage smokers,
rate per day and share of smokers.

* Less than .01

Key Findings:

- RJR's share of teenage smokers has stabilized, with a share of 20.2% in Spring 1980, 19.9% in Fall 1979, and 21.3% in Spring 1979.
- WINSTON'S share of teenage smokers increased slightly in Spring 1980 (7.8%), versus a decline from Spring 1979 (8.3%) to Fall 1979 (7.2%). Another reporting period is necessary to determine whether WINSTON'S increase indicates a significant trend.
- SALEM'S share of teenage smokers declined in both Spring 1980 (7.5%) and Fall 1979 (7.9%), versus a stable share of 10.6% in both Spring 1979 and 1975.
- CAMEL'S share of teenage smokers leveled out in Spring 1980 (2.2%) after doubling between Spring and Fall 1979 (1.2% to 2.4%).
- VANTAGE, MORE and NOW all have a low share of the teenage market, and may appear to be gaining significantly among this group.
- P. Morris' share of teenage smokers declined slightly in Spring 1980 (61.5%) versus Fall 1979 (62.6%).
- P. Morris' decline in share of teenage smokers is due to Marlboro, which declined in share from 52.0% in Fall 1979 to 49.4% in Spring 1980. Another reporting period is necessary to determine whether this is a significant trend.
- Merit has been slowly gaining in share among 14-17 year olds, with 3.8% in Spring 1980, 2.8% in Fall 1979, and 2.1% in Spring 1979. B&W and Virginia Slims have relatively small, stable shares of teenage smokers, with 2.2% and 1.4%, respectively, in Spring 1980.
- P. Lorillard continues to gain slightly among teenage smokers, with 11.2% of the market in Spring 1980 versus 11.1% in Fall 1979 and 9.7% in Spring 1979. Newport is among the fastest growing brands in this age group, with 9.4% of teenage smokers in Spring 1980 versus 8.9% in Fall 1979. Kent's share of teenage smokers is stable, with only 1.2% of 14-17 year old smokers in Spring 1980.
- B&W's share of teenage smokers increased slightly in Spring 1980 (5.9%), versus a steady decline from 1975 (22.0%) to Fall 1979 (5.2%). The increase is attributable to Kool, whose share increased in Spring 1980 (4.9%) versus Fall 1979 (4.2%).
- American and Liggett & Myers are continuing to lose share among teenage smokers and are unimportant factors in this market. In Spring 1980, American accounted for .6% of teenage smokers, with Carlton having only .1% of 14-17 year old smokers. In Spring 1980, Liggett & Myers accounted for only .1% of teenage smokers.

3. Franchise Aging

Franchise aging is the natural process of young adult smokers (18 year olds) entering the smoking population, and older smokers (50+) leaving the smoking population. This analysis addresses the effect of this process on each of the six companies and key brands.

Table IV illustrates share of 18 and 50+ year olds by company and key brands, and Table V illustrates the net effect of aging by company and key brands.

TABLE IV

SHARE AMONG 18 AND 50+ YEAR OLDS

	Share Among 18				Share Among 50+			
	1975	Spring 1979	Fall 1979	Spring 1980	1975	Spring 1979	Fall 1979	Spring 1980
RJA	28.0	25.0	23.6	22.0	31.3	33.3	32.6	33.4
WINSOON	12.8	9.2	8.2	8.2	11.2	9.6	9.8	9.1
SAMSON	0.5	11.4	10.2	8.3	8.1	9.3	8.4	8.5
CAMEL	NA	2.3	2.4	2.4	NA	6.0	6.3	6.0
VANTAGE	NA	1.5	1.9	2.2	NA	3.3	3.1	4.2
MOORE	NA	2	.3	.1	NA	2.9	3.0	3.2
NOW	NA	.1	0	.2	NA	.6	.8	1.3
P. Lorillard	44.0	52.0	54.9	57.9	15.3	15.7	16.5	16.8
Marlboro	34.6	41.2	42.1	41.8	5.0	3.8	4.9	5.1
Merit	NA	1.6	2.6	3.6	NA	3.2	3.2	3.4
B&H	NA	2.5	2.6	2.2	NA	4.4	4.7	4.4
Virginia Slims	NA	1.3	2.2	1.3	NA	.9	.9	.7
American	1.4	.5	.9	1.0	17.7	17.9	17.3	17.0
Carlson	NA	1	.1	.1	NA	4.2	4.6	4.6
B&W	18.0	11.1	9.6	8.8	12.5	12.3	12.6	12.5
Kool	18.0	8.7	7.9	7.2	4.2	3.8	3.9	4.1
P. Lorillard	8.0	10.5	10.7	10.1	12.3	12.9	14.0	13.8
Newport	3.5	9.0	8.0	8.0	.6	.3	.3	.4
Kent	NA	1.3	1.0	1.1	NA	9.0	9.1	9.0
Liggett & Myers	.6	.7	.3	.2	7.5	6.6	5.9	5.4

Source: Share estimates based on NFO data. Share among 18 year olds estimated by crediting share among 16-17 to 18-19.

TABLE V

NET EFFECT OF AGING

	1975	Share Point Change		
		Spring* 1979	Fall* 1979	Spring* 1980
PIP	-.06	-.10	-.11	-.14
WINSTON	.00	-.02	-.03	-.02
SALEM	.04	-.03	-.02	.00
CAMEL	NA	-.04	-.04	-.04
VANTAGE	NA	-.02	-.02	-.02
MORE	NA	-.03	-.03	-.03
NOW	NA	-.01	-.01	-.01
P. Morris	.40	+.40	+.42	+.46
Marlboro	.40	+.41	+.41	+.41
Merit	NA	-.02	-.01	.00
B&W	NA	-.02	-.02	-.03
Virginia Slims	NA	.00	-.01	.00
American	.22	-.19	-.18	-.18
Carlton	NA	-.04	-.05	-.05
B&W	.06	-.03	-.04	-.05
Kool	.20	-.04	+.03	-.02
P. Lorillard	.03	-.01	-.02	-.03
Newport	.03	+.10	-.08	+.09
Kent	NA	-.08	-.08	-.09
Buggett & Myers	.06	-.06	-.08	-.06

Source: Estimates calculated based on rate per day and share of smokers.

* These share points are annualized; that is, they represent the share gains/losses that would be realized for an entire year based on the NFO data for the reporting period.

Key Findings:

- RJR continues to lose share points due to aging, with a loss of .14 in Spring 1980 versus a loss of .11 in Fall 1979 and .10 in Spring 1979.

RJR's increasing losses are due to a declining share among 18 year olds coupled with a relatively stable share among 50+ smokers.

As of Spring 1980, SALEM was the only RJR brand not to realize losses due to aging (it broke even). However, if SALEM's present trend of declining share among 18 year olds continues, it will also be losing share in the near future due to the aging process.

If present trends remain the same, RJR will continue to lose share at a slightly increasing rate due to the aging process.

- P. Morris is the only company to realize share gains due to the aging process. P. Morris gained .46 share points in Spring 1980, .42 in Fall 1979 and .40 in Spring 1979.

Most of P. Morris gains in share due to aging come from Marlboro. However, Marlboro's gains have stabilized, with a gain of .41 in Spring 1979, Fall 1979 and Spring 1980. Marlboro's gains have stabilized due to an increasing share among 50+ smokers coupled with a relatively stable share among 18 year old smokers.

The growth in other P. Morris brands among 18 year olds, particularly Merit, is allowing P. Morris to continue to gain from the aging process. Merit's share of 18 year old smokers has steadily increased, with 3.6% in Spring 1980 versus 2.6% in Fall 1979 and 1.6% in Spring 1980.

- American has the largest loss of share points of any company, with a loss of .21 in Spring 1980. Its losses are due to a very high share of 30+ smokers (17.0% in Spring 1980) coupled with a very low share of 18 year old smokers (1.0% in Spring 1980). Carlton accounts for about one-third of American's losses, with a loss of .05 share points in Spring 1980.
- B&W and P. Lorillard are both losing share at a slightly increasing rate due to the aging process.
- B&W lost .05 share points in Spring 1980 versus .04 in Fall 1979 and .03 in Spring 1979. Its increasing losses are primarily due to Kool, which has been realizing smaller gains due to aging (it gained .02 share points in Spring 1980 versus .03 in Fall 1979). Kool continues to lose share among 18 year old smokers while gaining share among 30+ smokers.

Key Findings: (Continued)

- P. Lorillard lost .03 share points in Spring 1980 versus .02 in Fall 1979 and .01 in Spring 1979, primarily due to decreases in share among 18 year olds. Kent is responsible for much of P. Lorillard's share losses, with a loss of .09 share points in Spring 1980. Newport remains relatively stable in its share gains due to aging, with an increase in share of .09 in Spring 1980, .08 in Fall 1979, and .10 in Spring 1979.

• Liggett & Myers has remained stable in its losses due to aging. It lost .06 share points in Spring 1980, .06 in Fall 1979, and .06 in Spring 1979. Its share losses are attributed to a relatively low share of 50+ smokers (5.4% in Spring 1980) coupled with a very low share of 18 year old smokers (.2% in Spring 1980).

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B. NEW ADULT SMOKERS AND QUITTERS

The purpose of this analysis is to identify trends among new smokers and quitters, and to estimate their impact on company and key brands' share. It is not designed to be used as a tool for developing marketing strategies for these population segments.

The analysis is divided into three sections:

- New smokers and quitters by demographics.
- New smokers and quitters by categories.
- Share of new adult smokers and quitters by companies and key brands, and net effect on share by company.

NOTE: The definition of a smoker as a person who has smoked cigarettes in the past seven days. The number of new smokers and quitters tend to be over estimated since this definition includes smokers who "start" and "quit" several times a year. However, the share of new smokers and quitters across demographic groups, categories and companies is believed to be unbiased. As a result, NFO figures were combined with HEW estimates of the total new smokers and quitters to calculate the effect on company share.

New Smokers and Quitters by Demographics

TABLE VI (Attached)

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TABLE VI

PERCENTAGE OF NEW SMOKERS AND QUITTERS BY DEMOGRAPHICS AND THEIR INDEX RELATIVE TO THEIR SHARE

	% Of New Smokers				% Of Quitters				Index Of New Smokers*				Index Of Quitters*			
	Spring		Fall		Spring		Fall		Spring		Fall		Spring		Fall	
	1976	1979	1979	1980	1976	1979	1979	1980	1976	1979	1979	1980	1976	1979	1979	1980
Male	58.6	56.7	55.5	53.4	54.4	52.6	50.5	53.3	100	100	100	100	110	110	109	105
Female	43.2	43.1	44.5	46.6	43.2	44.4	43.5	46.6	100	100	100	100	89	89	90	99
18-24	10.4	20.0	21.0	25.6	15.4	12.9	13.8	14.8	102	190	188	200	152	123	123	116
25-34	27.0	27.8	23.1	25.2	28.8	26.6	26.3	28.6	101	118	84	98	107	113	96	111
35-49	26.2	25.3	23.1	25.2	24.6	26.9	26.6	27.6	87	82	75	84	82	80	87	92
50+	20.4	26.9	32.8	24.0	11.2	13.6	13.3	29.0	86	76	107	76	95	95	108	92

Source: NFO Estimates

* The indices represent the percentage of New (quit) smokers in the demographic break relative to the percentage of total smokers in the demographic break.

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Key Findings:

- Relative to their share, males tend to start and quit smoking more than females. However, the difference in the relative rates of starting and quitting smoking of males versus females has been steadily declining; that is, females are becoming almost as active as males in their starting and quitting rates.

Relative to their share, 18-24 year olds are much more active in terms of starting smoking than any other age group. This age group is also more likely to quit smoking than any other age group, although their rate of quitting has been steadily declining since 1976.

The 25 and over age groups are similar in their starting and quitting activities, and their rates have remained relatively stable from 1976 through Spring 1980.

New Smokers and Quitters by Categories

TABLE VII (Attached)

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TABLE VII PERCENTAGE OF NEW SMOKERS AND QUITTERS BY CATEGORY AND THEIR INDEX RELATIVE TO THEIR SHARE

	A OF New Smokers				B OF New Smokers				Index Of Quitters			
	Spring 1979	Fall 1979	Spring 1980	Spring 1980	Spring 1979	Fall 1979	Spring 1980	Spring 1980	Spring 1979	Fall 1979	Spring 1980	Spring 1980
NON-FILTER	7.4	7.0	7.5	7.1	7.1	7.1	7.1	66	62	81	72	72
NON-MENTHOL												
Full Flavor	11.2	26.1	23.9	32.4	31.1	32.4	26.1	85	106	109	103	103
Low Tar	10.6	31.9	35.1	31.9	30.5	31.9	35.2	104	104	98	104	104
Full Flavor Low Tar	24.4	25.8	27.7	24.3	24.3	24.9	27.1	109	105	98	100	100
Ultra Low Tar	6.2	6.1	7.6	7.0	6.2	7.0	7.9	87	100	97	91	91
MENTHOL												
Full Flavor	15.6	16.2	13.1	13.4	15.9	13.4	11.5	98	95	97	107	107
Low Tar	15.2	18.8	22.0	14.2	14.2	15.2	19.0	139	114	98	130	130
Full Flavor Low Tar	12.0	15.1	18.8	11.0	11.0	12.3	15.7	147	110	98	130	130
Ultra Low Tar	3.2	3.7	1.7	2.9	3.2	2.9	3.3	107	128	100	130	130

Source: NFO Estimates

* The indices represent the percentage of New (Quit) smokers in the category relative to the percentage of total smokers in the category.

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New Findings:

- Ultra low tar smokers are no more likely to quit smoking than are other category smokers. In fact, ultra low tar smokers are slightly less likely to quit smoking than are fuller flavor low tar smokers.
- Relative to share, the menthol categories obtain considerably higher rates of new smokers and slightly higher rates of quitters than the non-menthol categories. This is true for both the full flavor and low tar groups.

3. Share of New Adult Smokers and Quitters Among Companies and Key Brands, and Effect on Share

Table VIII illustrates share of new adult smokers and quitters among companies and key brands, and Table IX illustrates the net effect of new smokers and quitters by company.

TABLE VIII

SHARE OF NEW ADULT SMOKERS AND QUITTERS AMONG COMPANIES AND KEY BRANDS

	Share of New Smokers				Share of Quitters			
	1976	1979	Fall 1979	Spring 1980	1976	Spring 1979	Fall 1979	Spring 1980
Winston	36.0	34.8	34.5	35.7	35.5	34.7	36.5	34.2
Salem	13.0	11.2	13.3	10.8	13.5	13.3	10.7	11.5
Camel	10.0	11.4	10.1	12.8	11.3	10.5	12.5	11.8
Vantage	NA	4.0	3.8	3.7	NA	4.2	4.3	3.8
More	NA	3.5	3.5	4.1	NA	2.5	4.2	3.4
Now	NA	1.5	1.7	2.0	NA	1.1	1.4	1.6
	NA	.8	.8	1.8	NA	.9	1.4	.8
P. Morris	25.1	26.2	36.7	33.3	23.2	26.4	27.6	28.9
Marlboro	13.9	13.2	20.8	19.1	13.1	13.2	15.8	15.2
Merit	NA	NA	4.4	5.6	NA	NA	4.2	5.3
B&H	NA	NA	4.3	3.9	NA	NA	3.9	3.8
Virginia Slims	NA	NA	3.5	3.0	NA	NA	1.2	2.8
American	11.6	9.6	7.5	7.4	12.0	11.4	9.6	9.2
Carlton	NA	NA	4.1	2.3	NA	NA	2.5	3.0
B&W	13.4	13.0	8.4	9.6	14.3	11.9	9.8	10.1
Kool	8.2	6.5	5.7	5.9	7.6	5.9	5.4	6.0
P. Lorillard	10.3	13.0	11.5	11.5	10.5	12.7	14.3	14.0
Newport	1.0	1.6	1.8	2.1	1.1	1.1	1.7	1.8
Kent	NA	NA	6.8	6.5	NA	NA	8.3	7.3
Biggett & Myers	3.1	2.9	1.4	1.4	4.4	2.7	2.1	2.8
Total & New/Quits (Millions)	1.8	2.1	2.1	1.8	3.1	3.4	3.4	2.8

Source: NFO Estimates

HJM 065798

- 15 -

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TABLE IX

EFFECT OF NEW SMOKERS AND QUITTERS
ON SHARE OF MARKET

	1976	Spring* 1979	Fall* 1979	Spring* 1980
B&W	.04	-.04	-.16	.00
P. Morris	.08	-.05	+.30	-.16
American	.02	-.05	-.01	-.02
SAW	.03	-.12	-.07	-.06
P. Lorillard	.05	-.09	-.20	-.16
Wegman & Myers	.04	-.02	.00	-.04

Source: Estimates calculated based on number of New/Quits, rate per day, and share of smokers.

* These share points are annualized; that is, they represent the share gains/losses that would be realized for an entire year based on the data for the reporting period.

Key Findings:

Company share was not significantly affected by new smokers and quitters in either 1976 or Spring 1979; however, in Fall 1979 there were some major shifts in new smokers and quitters between companies, generating larger gains and larger losses for some companies. The Spring 1980 gains/losses due to new smokers and quitters has returned to the levels found in 1976 and Spring 1979, suggesting that the changes in Fall 1979 were not significant and did not indicate major shifts in trend.

RJR broke even in terms of the share effect of new smokers and quitters in Spring 1980, versus a loss of .04 share points in Spring 1979 and in 1976. In Spring 1980, RJR realized both a slight increase in new smokers and a slight decrease in quitters versus Spring 1979 and 1976.

P. Morris gained .06 share points in Spring 1980 versus .05 in Spring 1979 and .08 in 1976. P. Morris continues to gain share due to increases in share of new smokers for Marlboro, and to a lesser extent, Merit.

P. Lorillard lost .16 share points in Spring 1980 versus .09 in Spring 1979 and .05 in 1976. The increasing loss is due to an increase in share of quitters. Kent accounts for about one-half of P. Lorillard's quitters.

B&W had a slight decrease in its share gains from Spring 1979 (-.12) to Spring 1980 (-.06), due primarily to a decrease in share of new smokers.

American's losses decreased somewhat from Spring 1979 (-.05) to Spring 1980 (-.02) due to a decrease in share of quitters.

Siggett & Myers lost .04 share points in Spring 1980 versus a gain of .02 share points in Spring 1979. The loss is primarily due to a decrease in share of new smokers.

If you have any questions, please call.

Kay Duffy
Kay Duffy
MARKETING DEVELOPMENT DEPARTMENT

KD/88

cc: Mr. S. R. Perry

- 1 -

HJM 065800

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80M00741

April 9, 1982

TO: Mr. Greg Novak

FROM: Ms. Diane S. Burrows

RE: RATIONALE FOR SLOWER INDUSTRY GROWTH AFTER INCREASE
IN F.E.T.

In estimating the effects on Industry of an 8¢ increase in the federal excise tax, we projected a slower long-term growth trend than would be expected without the increase. While the degree of slowdown is somewhat judgemental, the rationale for the lower trend is documented in the attached excerpts from a working paper published by the National Bureau of Economic Research.

The NBER results indicate that an excise tax increase would discourage a number of younger people from beginning to smoke. The figures on the second page of the excerpt suggest that this effect would be sizeable (elasticity of -1.2 implies that a 10% real price increase would reduce the number of new teenage smokers by 12%).

Thus, we have projected that the tax increase would have not only an immediate impact, but a long range negative effect on industry sales.

We are currently developing a report on this subject which should be issued within a month. Please call if you need anything further in the meantime.

Diane
Diane S. Burrows
MARKETING DEVELOPMENT DEPARTMENT

DSB/ch

cc Mr. P. E. Galyan
Mr. J. R. Hribar
Mr. J. R. Moore
MDIC

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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CX-811

RM0003737

EXHIBIT NO.	12
Wit:	J. Moore
Date:	6/4/98
Rptr:	la

September 27, 1982

TO: Mr. J. R. Moore

FROM: Ms. D. S. Burrows

RE: NBER MODELS OF PRICE SENSITIVITY BY AGE/SEX

EXHIBIT NO. 13
Wit: J. Moore
Date: 6/9/98
Rptr: [initials]

BACKGROUND

In 1981, the National Bureau of Economic Research (NBER) published two models based on consumers' responses to government smoking surveys. Because the models were cross-sectional (testing differences between people rather than over time) they were able to relate price separately to incidence and rate per day, by age and sex.

The NBER elasticities may not reflect the exact effects of price increases, since their models didn't deal with changes over time. However, the effects they found for other variables (race, income, working women, etc.) are highly consistent with our understanding of market dynamics. Thus, it is likely that the NBER models have correctly identified relative price sensitivity among age/sex groups.

A detailed critique of the NBER models is Attachment B.

SUMMARY OF FINDINGS

According to the NBER models:

- Teenagers and younger adult males are highly price sensitive.
- Males over 35 have above average price sensitivity.
- Women and 26-34 year old men are relatively immune to price.
- Price affects incidence; rate per day is virtually unchanged.

	NBER PRICE ELASTICITY AMONG:					
	TEENS	AGES 20-25		AGES 35+		TOTAL
	12-17	TOTAL	MALES	TOTAL	MALES	20-34
EFFECT ON:						
Incidence	-1.19	- .74	-1.28	NA	NA	- .86
Consumption	-1.44	- .89	-1.40	- .45	- .66	- .42

CONCLUSIONS

In terms of immediate impact, the effect of price on males 35+ is most important. Half (50%) of the total drop in industry volume is attributable to males 35+, compared to 24% from younger adult males, and 7% from teenagers. (Calculated in Attachment A)

But, the loss of younger adult males and teenagers is more important to the long term, drying up the supply of new smokers to replace the old.* This is not a fixed loss to the industry: its importance increases with time. Ten years, increased rate per day would have been expected to raise this group's consumption by more than 50%.


Diane S. Burrows
MARKETING DEVELOPMENT DEPARTMENT

DSB/ch

cc: Mr. J. R. Hribar
Mr. P. E. Galyan
Mr. W. W. [unclear]
Mr. R. A. Davis
MDIC

*As discussed in my 9/21/82 memo re "Estimated Change in Industry Trend Following F.E.T. Increase".

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ATTACHMENT A

IMPORTANCE OF PRICE IMPACT BY AGE/SEX TO TOTAL INDUSTRY

I. 1982 IMPORTANCE TO INDUSTRY

	<u>% OF SMOKERS</u>	<u>RATE PER DAY</u>	<u>IMPORTANCE = % OF TOTAL CONSUMPTION</u>
Teenagers 12-17	4.0 E	17.4 E	2.2 E
Males 18-24	8.0	29.7	7.5
Males 35+	28.7	36.9	33.6
Total 18+	96.0	31.7	97.8
TOTAL	100.0	31.1 E	100.0

*Source: Tracker (% smokers first half 1982, rate in year 1981) adjusted for estimated teenage smoking.

II. IMPORTANCE TO PRICE IMPACT: Sample calculation assumes 10% price increase and flat 623.0 billion industry. Importance of group to total change is independent of total volume or price change.

	<u>IMPORTANCE TO INDUSTRY %</u>	<u>IMPORTANCE TO INDUSTRY BILLIONS</u>	<u>NUMBER ELASTICITY</u>	<u>LOSS FOLLOWING 10% PRICE INCREASE BILLIONS</u>	<u>IMPORTANCE (%)</u>
Teenagers 12-17	2.2%	13.7	-1.44	2.0	7.2%
Males 18-24	7.5	46.7	-1.40	6.5	23.6
Males 35+	33.6	209.3	- .66	13.8	50.0
Total 18+	97.8	609.3	- .42	25.6	92.8
TOTAL	100.0	623.0	- .44 E	27.6	100.0

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ATTACHMENT B

TECHNICAL SUPPLEMENT

SUMMARY AND CRITIQUE OF THE NBER MODELS

Lewit and Coate of the National Bureau of Economic Research developed two series of models relating cigarette prices (and other factors) to reported incidence, rate per day, and "total demand" (incidence times rate).

Although reported rates understate true consumption, the models would still hold if the under-reporting was constant across the other variables -- geography, age, sex, etc. We ordinarily use this assumption ourselves.

Both studies were weakened by assuming that prices in all locales/outlets were similar to the statewide average reported by TMA, plus local tax. This may be why both models had low adjusted R-squared values (.11 or less but still significant).

Other aspects of the NBER studies are critiqued separately below, since each used a different data source, time period, and methodology.

THE OVER-20 MODELS

SOURCE: "The Potential for Using Excise Taxes to Reduce Smoking," Working Paper No. 764 of the National Bureau of Economic Research, by E. M. Lewit and B. Coate, September, 1981.

This ordinary least squares model used data tapes of individual responses to the Health Interview Survey of 1976. It expressed incidence, rate, and "total demand" of respondents over age 20 as a linear function of:

- Retail price, defined as the TMA - reported average in the respondent's state, adjusted for any local taxes.
- Family income and size
- Sex
- Marital Status
- Health status (perceived)
- Region and city size
- Race
- Working woman or not

Using the full sample, price was not found to be a statistically significant factor in incidence, rate, or "total demand". Coefficients for most of the other variables were significant (at the 5% level) in a direction consistent with our consumer research findings.

The models were respecified using a restricted sample which eliminated respondents within 20 miles of a lower priced state, on the premise that the price they actually paid might be lower than the assigned price ("border effect"). For the restricted sample, price was found to be a statistically significant factor in:

- Incidence and "total demand" among 20-25 year olds.
- "Total demand" among those over 35.

When the regressions were done by age/sex, significant coefficients were found only for males. Though none were found in the female regressions, the higher elasticity for males/females combined than for males alone may imply some effect among females.

Selected elasticities are tabulated on the next page. Only boxed values have statistical significance at normal levels.

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NUMBER ELASTICITIES AMONG PERSONS 20+ (1976)
(Sample Restricted to Eliminate Border Effect)

	REPORTED INCIDENCE	REPORTED RATE	"TOTAL DEMAND" (INC. x RATE)
<u>RETAIL PRICE</u>			
Total 20+	- .264*	- .037	- .416**
20-25	- .74*	- .20	- .89*
26-35	- .44	- .04	- .47
35+	- .15	- .15	- .45*
Males 20+			
20-25	- 1.276**	- .171	- 1.401*
26-35	- .292	+ .029	- .320
35+	- .246	- .204	- .658*
Females 20+			
20-25	- .136	- .026	- .302
26-35	- .388	- .134	- .577
35+	+ .066	- .077	- .118
<u>INCOME</u>			
Total 20+	+ .03	+ .06**	- .08**

*OLS coefficient statistically significant at 5% level (2-tailed test).

**OLS coefficient statistically significant at 1% level (2-tailed test).

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since the NBER models are based on geographic differences in retail price at one point in time (1976), they do not translate directly to national changes over time:

- The positive income elasticity suggests that, over time, price elasticity should be applied to retail price deflated by some measure of consumer income. However, the price elasticities are strongly age/sex specific and income measures/projections are not available by age/sex.
- Since consumer prices may continue to rise faster than income (especially among young adults), using the CPI as a deflator probably yields conservative estimates of the price impact.
- Restricting the sample to eliminate "border effects" improved the model's applicability to the nation. However, it created some regional bias -- Westerners rose from 18% to 29% of the sample while Northeasterners fell from 24% to 11%. This may have made the price elasticity more negative than the "true" national value, since positive coefficients were associated with residence in any region except the West.

Thus, the adult NBER elasticities are imprecise for national price changes. However, they probably give a reasonable idea of the groups most affected by price and the orders of magnitude of the effects.

THE TEENAGE MODEL

SOURCE: "The Effects of Government Regulation on Teenage Smoking," by E. Levitt, D. Coate, and M. Grossman. Journal of Law and Economics, December, 1981.

These models used personal interview data from Cycle III of the Health Examination Survey*, conducted 1966-70. Incidence and rate findings from Cycle III seem reasonable, perhaps even a cut above most teenage studies. But it is not recent.

A major goal of this study was pre/post assessment of the Fairness Doctrine which loaded television with anti-smoking commercials from 7/67 through 12/70. Other variables included:

*In Self-Reported Health Behavior and Attitudes of Youths 12-17 Years, United States. HEW, 1975.

- TMA retail prices, adjusted to state cost-of-living and changes in the national CPI during the 4-year survey (an improvement over no adjustment, but still makeshift).
- Fairness Doctrine intensity versus cigarette advertising and amount of time spent watching TV
- Family income deflated by state cost-of-living
- Number of other children
- Parents' education
- Working mother or single parent
- Employment/allowance of youth respondent (detailed)
- Student status
- Age
- Sex
- Race
- Region and city size

Large, negative price elasticities were found. The coefficients were stable and statistically significant in all model specifications reported. The authors suggest that these large elasticities may incorporate other effects which the model did not include/capture separately. They suggest that the income related variables may have failed to represent the youth's actual discretionary income.

NUMBER PRICE ELASTICITIES AMONG YOUTH 12-17

	<u>REPORTED INCIDENCE</u>	<u>REPORTED RATE</u>	<u>"TOTAL DEMAND" (INC. x RATE)</u>
Total 12-17	- 1.19	- .25	- 1.44

The Fairness Doctrine was also found to have an important negative effect during its first year (accounting for a 3 percentage point drop in 12-17 incidence), but showed diminishing returns during its second and third year. Cigarette advertising on TV was found to partially offset the Doctrine effects. Thus, the absence of TV advertising after 1970 was implicitly a negative effect, but the absence of the Fairness was a larger implicit positive.

Results for other variables were not reported.

Weaknesses in the teenage NBER model are:

- Loose estimation of price, loosely deflated.
- "Impure" price elasticity (probably somewhat inflated).
- Data from the late 1960's, which may not reflect today's market.

National application of this model has the same problems as in the adult model, except that the problem of estimating what teenagers perceive as "real" price change is even worse.

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AGE MIX MODEL OF YAS IMPACT ON SOM

- Similar to industry model which tracks from 1960's to date.

- Assumptions

1. Continuation of '80's incidence trends for age within sex.
2. Rate per day is a fixed characteristic of age.

<u>Sticks/Day</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1988</u>
Total 18+	31.1	30.4	31.2	30.7
By Age as Index versus 18+				
18-24	82	85	82	82
25-34	101	99	97	95
35-49	112	111	110	109
50+	100	100	103	103

3. Share trends within age/sex are driven only by aging. (This is very close to historical reality for RJR in total, although brands may vary.)

- Process

1. For each projected year, the oldest smokers in one age/sex bracket move into the next bracket, e.g., 20-year-olds move to 21-24, 24-year-olds move to 25-34, etc.
2. Smokers who age into a bracket keep the claimed usual brand share seen in their previous bracket, i.e., stay loyal. Brand share in the new bracket is a weighted average of those who age in and those who stay.
3. SOM computed from importance of age/sex to total 18+ smokers, characteristic rate per day, and observed loyalty (Diary Panel & requirements) of current brand smokers (e.g., new CAMEL YAS give 93% of their volume to CAMEL).

CX-198

EXHIBIT NO.	14
Wit:	J. Moore
Date:	6/4/88
Rptr:	151

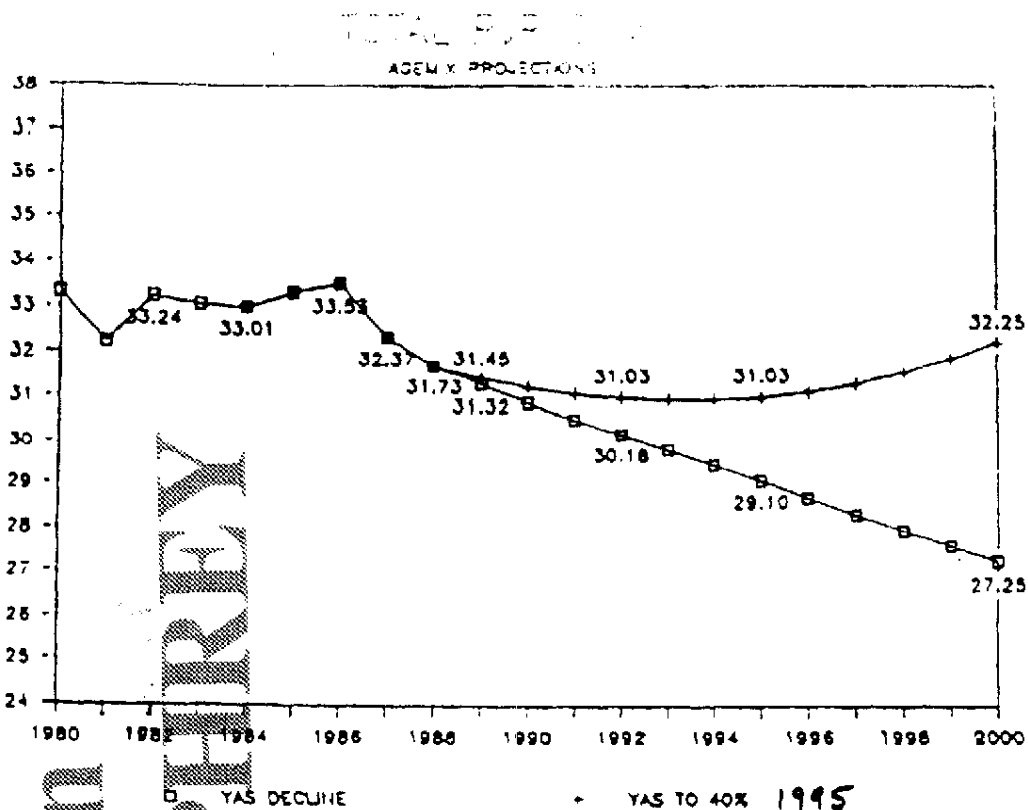
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AGE MIX BASE- LINE	ANNUAL YAS INCREMENT			CUM. YAS INCR. FROM 1990			RJR SCM RESULT
	DIRECT	LOYALTY	TOTAL	DIRECT	LOYALTY	TOTAL	
1988	31.73						31.73
1989	31.32	0.12	0.13				31.45
1990	30.92	0.17	0.20	0.17	0.03	0.20	31.24
1991	30.55	0.16	0.24	0.33	0.11	0.44	31.11
1992	30.18	0.15	0.29	0.48	0.25	0.73	31.03
1993	29.81	0.14	0.32	0.62	0.43	1.05	30.99
1994	29.46	0.12	0.36	0.74	0.67	1.41	30.99
1995	29.10	0.12	0.40	0.86	0.95	1.81	31.03
1996	28.71	0.12	0.49	0.98	1.33	2.30	31.14
1997	28.33	0.12	0.55	1.09	1.76	2.85	31.31
1998	27.96	0.12	0.61	1.21	2.26	3.47	31.56
1999	27.60	0.12	0.67	1.33	2.81	4.14	31.87
2000	27.25	0.12	0.73	1.45	3.42	4.87	32.25

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YAS PLAN

in

UB Smoker Share Ages 18-20	1988	1989	1990	1991	1992	1993	1994	1995	Cumulative 1990 - 1995
CAMEL Plan Chg.	5.34% +2.14	7.43% +2.09	9.51% +2.10	11.62% +2.11	13.73% +2.11	15.81% +2.09	17.91% +2.10	20.00% +2.09	20.00% +12.57
SALEM Plan Chg.	2.81% -1.29	2.81% NC	4.34% +1.53	5.87% +1.53	7.41% +1.54	8.94% +1.53	10.47% +1.53	12.00% +1.53	12.00% +9.19
MAGNA Plan Chg.	-- --	1.00% +1.00	2.00% +1.00	3.00% +1.00	3.90% +.90	4.50% +.60	4.80% +.30	5.00% +.20	5.00% +4.00
Other Brands Chg.	5.62% -.58	5.13% -.49	4.70% -.43	4.30% -.40	3.93% -.37	3.60% -.33	3.29% -.31	3.00% -.29	3.00% -2.13
Total RJR Plan Chg.	13.77% +.27	16.38% +2.61	20.57% +4.19	24.79% +4.22	28.95% +4.16	32.85% +3.90	36.47% +3.62	40.00% +3.53	40.00% +23.62
Direct Incremental SM Value									
CAMEL	+ .08	+ .07	+ .07	+ .07	+ .07	+ .07	+ .06	+ .06	+ .40
SALEM	- .03	+ .02	+ .07	+ .06	+ .06	+ .06	+ .05	+ .05	+ .35
MAGNA	--	+ .03	+ .03	+ .03	+ .02	+ .02	+ .01	+ .01	+ .11
Total RJR	+ .11	+ .12	+ .17	+ .16	+ .15	+ .14	+ .12	+ .12	+ .86

NOTE: May not add due to rounding.

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SOME VALUE OF YAS GAINS

in

YAS - Ages 18-20	1988	1989	1990	1991	1992	1993	1994	1995	Cumulative 1990 - 1995
(1) YAS as % of total smokers	4.83%	4.68%	4.62%	4.48%	4.33%	4.22%	4.09%	3.97%	4.30%
(2) YAS rate/day as % total smoker rate/day	79.67%	79.67%	79.67%	79.67%	79.67%	79.67%	79.67%	79.67%	79.67%
(3) YAS % total cigt. volume	3.85%	3.73%	3.68%	3.58%	3.47%	3.36%	3.26%	3.16%	3.43%

(1) Forecast from US population projection and extension of existing incidence trend.
 (2) Tracker Diary Panel, 3/87 - 12/88
 (3) - (1) x (2)

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5/1/89

CAMEL

YAS - 18-20	1988	1989	1990	1991	1992	1993	1994	1995	Cumulative 1990-1995
SOS Plan	5.34%	7.43%	9.53%	11.62%	13.72%	15.81%	17.91%	20.00%	20.00%
SOS Plan Trend	+2.11%	+2.09%	+2.10%	+2.09%	+2.10%	+2.09%	+2.10%	+2.09%	+12.57%
-SOS Base Trend	MC	MC	MC	MC	MC	MC	MC	MC	MC
SOS Swing	+2.11%	+2.09%	+2.10%	+2.09%	+2.10%	+2.09%	+2.10%	+2.09%	+12.57%
x Conversion Benefit	93.27%	93.27%	93.27%	93.27%	93.27%	93.27%	93.27%	93.27%	93.27%
	+1.99	+1.95	+1.96	+1.95	+1.96	+1.95	+1.96	+1.95	+11.72
x YAS x Total Volume	3.85%	3.73%	3.68%	3.58%	3.47%	3.36%	3.26%	3.16%	3.43%
Direct Incremental SOM Value	+ .08	+ .07	+ .07	+ .07	+ .07	+ .07	+ .06	+ .06	+ .40

NOTE: May not add due to rounding.

SALEM

YAS - 18-20	1988	1989	1990	1991	1992	1993	1994	1995	Cumulative 1990-1995
SOS Plan	2.81%	2.81%	4.24%	5.87%	7.41%	8.94%	10.47%	12.00%	12.00%
SOS Plan Trend	-1.29	NC	1.73	1.53	1.54	1.53	1.53	1.53	+9.19
-SOS Base Trend	-1.38	1.48	1.48	1.33	1.28	1.23	1.19	1.16	-1.57
SOS Swing	-1.71	1.46	1.93	1.86	1.81	1.76	1.72	1.69	+10.78
x Conversion Benefit	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%	94.9%
	-.67	+.46	+.83	+.77	+.72	+.67	+.63	+.60	+10.78
x YAS x Total Volume	1.85%	1.73%	3.68%	3.58%	1.47%	1.36%	1.25%	1.16%	1.16%
Direct Incremental SOM Value	-.03	+.02	+.07	+.06	+.06	+.06	+.05	+.05	+.05

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1 2 3 4 5 6 7 8 9

NOTE: May not add due to rounding.

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INCREMENTAL SOM FROM YAS PLAN

ITEM

YAS - 18-20	1988	1989	1990	1991	1992	1993	1994	1995	Cumulative 1990 - 1995
SOS Plan	--	1.140%	2.00%	3.08%	3.90%	4.56%	4.80%	5.00%	5.00%
Plan Trend	--	+1.00	+1.00	+1.00	+ .90	+ .60	+ .30	+ .20	+4.00
x Conversion Benefit*	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%
	--	+ .78	+ .78	+ .78	+ .71	+ .47	+ .24	+ .16	+3.14
x YAS % Total Volume	3.85%	3.73%	3.68%	3.58%	3.47%	3.36%	3.26%	3.16%	3.43%
Direct Incremental SOM Value	--	+ .03	+ .03	+ .03	+ .02	+ .02	+ .01	+ .01	+ .11

NOTE: May not add due to rounding.
*DORAL 1988

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PRODUCED BY R.J.R.TC
produced by R.J.R.TC

in

HUMPHREY

YOUNGER ADULT SMOKER ANALYSIS

CX-657

EXHIBIT NO.	15
Wit:	J. M. OURE
Date:	6/14/98
Rptr:	150

CONFIDENTIAL - FTC DOCKET No. 9285
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

R0016308

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PURPOSE OF THE ANALYSIS

- I. DEMONSTRATE THE IMPORTANCE OF YOUNGER ADULT SMOKERS
- II. IDENTIFY KEY ELEMENTS OF SUCCESSFUL YOUNGER ADULT STRATEGIES

in

CONFIDENTIAL

CONFIDENTIAL - FTC DOCKET No. 9285
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

R0C16309

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HUMPHREY

IMPORTANCE OF YOUNGER ADULT SMOKERS

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R00163710

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Produced by RJRT

in

HUMPHREY

- BY 1988, YOUNGER ADULTS (18-24) WILL DROP FROM 18% TO 15% OF THE TOTAL ADULT POPULATION (18+).
- POPULATION SHIFTS IN COMBINATION WITH DECLINING INCIDENCE WILL CAUSE THE PERCENTAGE OF YOUNGER ADULT SMOKERS TO FALL FROM 16% TO 14% OF ALL SMOKERS BY 1988.

NUMERICAL IMPORTANCE OF YOUNGER ADULT SMOKERS

	1975	1980	1983	1988
% OF TOTAL POP. 18+	18.8%	18.5%	17.5%	14.9%
% OF SMOKERS 18+	20.0%	18.3%	16.4%	14.0%

- Why then will Younger Adult Smokers continue to be important to the Tobacco Industry and RJR?

Sources: 1982 Incidence and Rate Report, HUMPHREY, Alan J. and RJRT. 1985 population estimates.
Produced to Federal Trade Commission pursuant to subpoena

dated June 6, 1997.

R0016311

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PROPERTY OF RPTC
Produced by RPTC

- YOUNGER ADULT SMOKERS ARE THE ONLY SOURCE OF REPLACEMENT SMOKERS. TODAY'S YOUNGER ADULT SMOKING BEHAVIOR WILL DETERMINE THE FUTURE TREND OF INDUSTRY VOLUME.
- LESS THAN 31% OF SMOKERS START AFTER AGE 18. ONLY 5% START AFTER AGE 24.

CURRENT MALE SMOKERS BY STARTING AGE HUMPHREY

START AFTER AGE

START BY AGE

18	68.7	31.3
19-20	84.0	16.0
21-24	94.6	5.4
25+	100.0	--

CONFIDENTIAL - 1985

Sources: Average of HEM data reported by the tobacco industry, 1978-1985.
Cancer Research, 1985

R0016312

50203 3349
52189 5240

Produced by RJR TC

in

HUMPHREY

• YOUNGER ADULT SMOKERS PROVIDE A "FIRST BRAND" ADVANTAGE

-- THE 18 YEAR OLD SMOKERS IN THE 1983 MARKET WERE WORTH ABOUT 1.6 SHARE POINTS OF TOTAL SMOKERS.

-- THE STEADY INFLUX OF 18-YEAR-OLD SMOKERS CAUSES THE PRE-EXISTING MARKET TO SHRINK IN SHARE VALUE. ANY BRAND WHICH IS UNDERDEVELOPED AMONG 18-YEAR-OLD SMOKERS MUST ACHIEVE NET SWITCHING GAINS JUST TO BREAK EVEN.

-- "FIRST BRANDS" DO NOT NEED SWITCHING GAINS TO GROW AND CAN AFFORD SOME SWITCHING LOSSES. BY CAPTURING 50% OF 18 YEAR OLD SMOKERS, MARLBORO GAINED .8 SHARE OF SMOKER POINTS IN 1983 WITHOUT NEEDING TO ATTRACT A SINGLE BRAND SWITCHER.

Highest switching occurs between ages 18-24. Example, 1983-84, 18-24s 42% of brand users in this 6 years, yet this still nets the 18-24s a 1.6 share point gain (1.6 share point gain) dated June 6, 1997.

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52189 5241

16391008

PROPERTY OF RJC
Produced by RJC

in

HUMPHREY

● AS A RESULT OF BRAND LOYALTY AND THE AGING PROCESS, STRENGTH AMONG YOUNGER ADULT SMOKERS ULTIMATELY YIELDS GROWTH IN OLDER AGE BRACKETS.

-- AMONG SMOKERS 25+, ALL MARLBORO'S GAINS ARE ATTRIBUTABLE TO THE BRAND LOYALTY/AGING PROCESS--SWITCHING APPEARS TO HAVE HAD NO NET LONG-TERM EFFECT.

-- MARLBORO'S TOTAL SHARE IS A RESULT OF INITIAL YOUNGER ADULT SMOKER STRENGTH.

-- IF MARLBORO JUST HOLDS SHARE OF YOUNGER ADULT SMOKERS, THEN ITS TOTAL SHARE WILL GROW TO 24.0 DUE TO AGING.

	1980	1981	1982	1st HALF 1983	1988
18-24 SMOKER SHARE	32.4	34.3	36.3	41.2	41.2
TOTAL 18+ SMOKER SHARE	15.6	16.6	17.0	18.9	24.0

● ADDITIONALLY, AS SMOKERS AGE, THEIR RATE-PER-DAY INCREASES
CONFIDENTIAL - FTC DOCKET No. 9285

--- SMOKERS 25+ CONSUME 22% MORE THAN 18-24 SMOKERS
dated June 6, 1997.

50203 331

52189 5242

RC0016314

Produced by RJR

- NEWPORT'S STRENGTH CAN BE EXPLAINED BY ITS HIGH YOUNGER ADULT SMOKER DEVELOPMENT AND THE AGING PROCESS.

1st HALF
1983

HUNTER

8.5

18-24 SMOKER SHARE

TOTAL 18+ SMOKER SHARE

2.6

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

ROC16315

52189 5243

50203 3352

PROPORTION OF THE 18-YEAR OLDS

- THE MOST SUCCESSFUL BRANDS OF THE LAST HALF CENTURY HAVE DERIVED THEIR STRENGTH FROM HIGH YOUNGER ADULT SMOKER DEVELOPMENT.

SHARE OF 18-YEAR OLDS

1930's in

LUCKY STRIKE

32

CAMEL

30

CHESTERFIELD

20

HUMPHREY

1940's/50's

PALL MALL

30

1950's/60's

WINSTON

30

1970's/80's

MARLBORO

50

- YOUNGER ADULT SMOKER GAINS HAVE BEEN A LONG-TERM INDICATOR OF THE BRAND'S MARKET SHARE GAINS. CONTINUING LOSS OF YOUNGER ADULT SMOKER STRENGTH HAS ALSO BEEN A LEADING INDICATOR OF MARKET SHARE SOFTNESS AND DECLINE.

COMMISSIONER OF THE FTC DOCKET No. 9285
Produced to Federal Trade Commission pursuant to subpoena
Dated June 6, 1997.

R0016316

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50203 3353

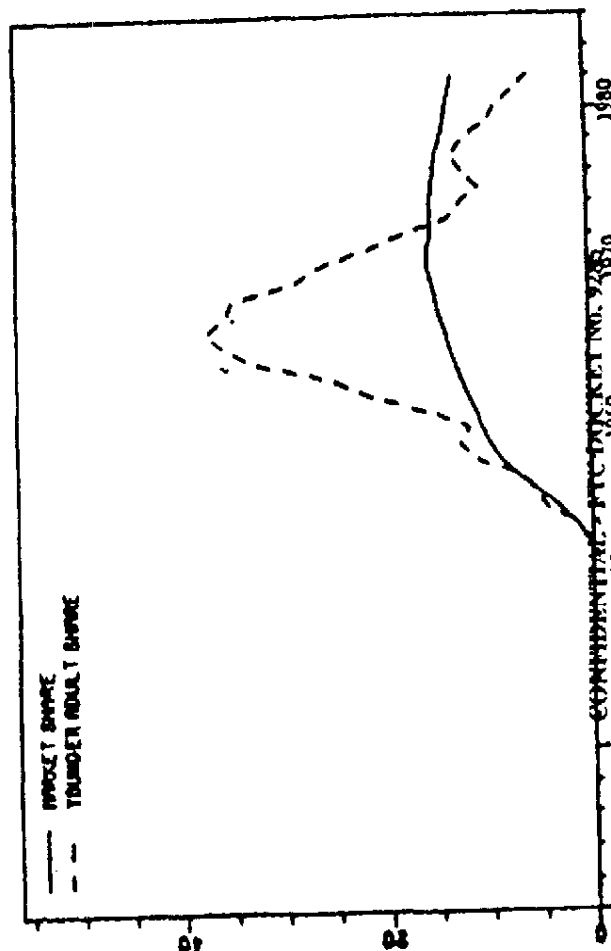
PROPERTY OF RRTC
Produced by RRTC

EXAMPLE--WINSTON

- FAVORABLE TIMING AND THE HEALTH SCARES OF THE 1950'S BENEFITED WINSTON.
- YOUNGER ADULT SMOKER STRENGTH WAS A LEADING INDICATOR OF WINSTON'S EXTENDED MARKET SHARE GAINS AND OF ITS SOFTENING.
- CHANGES IN THE EXTERNAL ENVIRONMENT MADE WINSTON LESS IN TUNE WITH THE DEMOGRAPHICS AND THE MINDSET OF THE 1960'S AND MAY HAVE LED TO ITS LOSS IN POPULARITY AMONG YOUNGER ADULT SMOKERS.

WINSTON

FIVE YEAR ROLLING AVERAGE SHARE



CONFIDENTIAL: FTC DOCKET NO. 7280
1940 1950 1960 1970 1980

Produced to Federal Trade Commission pursuant to subpoena

dated June 6, 1997.

SOURCE: RETAIL DATA AND 1980 BSA

50203 3354

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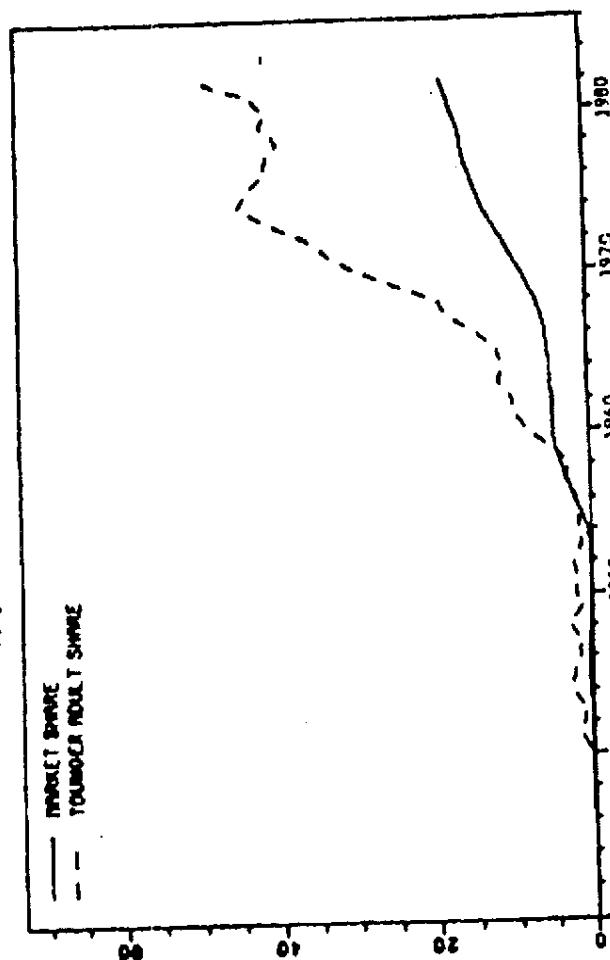
EXAMPLE--MARLBORO

- MARLBORO SUCCEEDED WITH A FIRST BRAND STRATEGY TARGETED TO THE LEADING EDGE OF THE BABY BUBBLE IN THE 1960'S.
- MARLBORO'S POSITIONING WAS IN TUNE WITH THE MORE INTENSE MINDSET OF THE 1960'S.
- MARLBORO IS A "BANDWAGON"/PEER PRESSURE BRAND TODAY.

HUMPHREY

MARLBORO

FIVE YEAR ROLLING AVERAGE SHARE



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Produced to Federal Trade Commission pursuant to subpoena

SOURCE: MARSHALL DATA AND 1983 updated June 6, 1997.

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R0016312

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Produced by RPTC

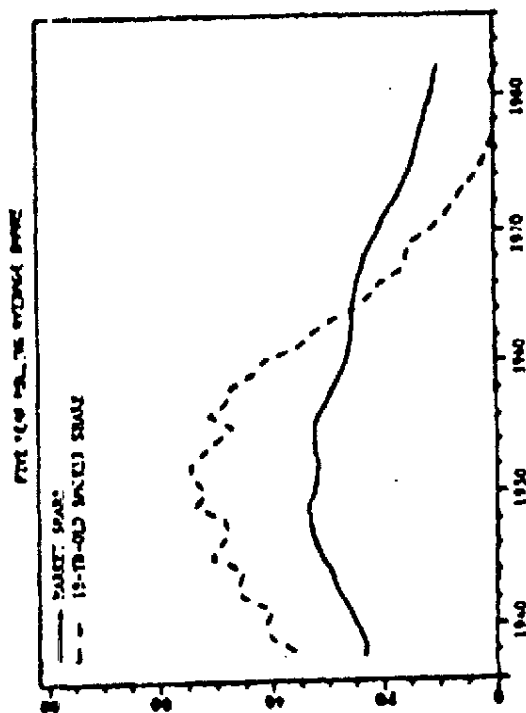
YOUNGER ADULT GROWTH PERFORMANCE HAS ALSO BEEN A LEADING INDICATOR OF COMPANY PERFORMANCE.

EXAMPLE--ATC

-- ATC'S LEADING POSITION AMONG YOUNGER ADULT SMOKERS, FIRST WITH LUCKY STRIKE AND THEN PALL MALL, PUSHED IT TO #1 IN THE INDUSTRY IN 1940. HOWEVER, SINCE PALL MALL WAS ATC'S LAST SUCCESSFUL YOUNGER ADULT ENTRY, THE BRAND'S DOWNTURN SIGNALED THE FUTURE PERFORMANCE OF ATC AS A COMPANY.

HOMERBY

AMERICAN TOBACCO



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Produced pursuant to a Commission subpoena dated June 6, 1997.

R0016319

52189 5247

50203 3356

PROPERTY OF FTC
Produced by R. K. K.

- IN RECENT YEARS, PM HAS BEEN VERY EFFECTIVE IN BUILDING ITS SHARE AMONG 18-24 YEAR OLD SMOKERS. THIS HAS PROVIDED A LONG-TERM DIVIDEND BY INCREASING THEIR SHARE OF TOTAL SMOKERS.

HUMPHREY

SHARE AMONG 18-24 SMOKERS SHARE AMONG TOTAL SMOKERS

	<u>PM</u>	<u>PM</u>
1979	44.8	27.8
1980	48.8	29.2
1981	51.5	31.0
1982	54.0	32.2
1983	58.4	34.7

SOURCE: TRACKER

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

R0016320

50203 3357

52189 528

PROPERTY OF RRTC
produced by RRTC

in

HUMPHREY

KEY ELEMENTS OF "FIRST BRAND"

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dated June 6, 1997.

R0016321

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50203 3358

PROPERTY OF FTC
Produced by KRC

• SUCCESSFUL YOUNGER ADULT BRANDS HAVE CAPITALIZED ON THE FOLLOWING AREAS OF OPPORTUNITIES:

-- EXTERNAL FACTORS

- WINSTON CAPITALIZED ON THE "HEALTH SCENE" ENVIRONMENT OF THE 1950'S

-- GROWTH SECTORS WITHIN YOUNGER ADULTS

- PALL MALL TOOK ADVANTAGE OF GROWING IMPORTANCE OF YOUNGER ADULT FEMALE SMOKERS IN 1940'S AND 1950'S
- KOOL CAPITALIZED ON THE IMPORTANCE OF YOUNGER ADULT BLACK SMOKERS IN THE 1960'S*

in

HUMPHREY

- NEWPORT TARGETED AGAINST BLACKS IN THE NORTHEASTERN U.S. WHERE BLACK POPULATION WAS GROWING IN THE 1970'S.

-- OUT OF TOUCH COMPETITORS

- PALL MALL FELL OUT OF TOUCH WHEN IT FAILED TO REACT TO FILTER BOOM
- WINSTON LIGHT-HEARTED/ESTABLISHMENT POSITION DID NOT FIT THE 1960'S
- KOOL FOUND ITSELF TOO EXTREME IN THE 1970'S.

-- PRODUCT DELIVERY OF MILDNESS

- PALL MALL PROMISED MILDNESS
- WINSTON'S FILTER SUGGESTED MILDNESS
- MARLBORO WAS Milder ROO16322

50203 3359
655C

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KOOL DELIVERED MILDNESS THROUGH MENTHOL
Produced to Federal Trade Commission pursuant to subpoena

0525 68125

dated July 6, 1977
NEWPORT IS PERCEIVED AS Milder THAN KOOL

* Incidence of younger adult female smoking went from 30% in 1930's to 44% in 1940's.
* Because blacks didn't back off from smoking as did whites in the 1960's, 18 year old blacks accounted for

CAMEL

1. How, when, and why do CAMEL and [REDACTED] interact with each other versus with Marlboro. What impact does it have on their respective performances and the company's profitability?
2. How is CAMEL's 18-20 year old smoker target different from Savings Sensitive 18-20 year old smoker target (i.e. demographic, psychographic, geographic, behavior, evoke set of brands - cigarettes plus others, etc.)?
3. What is the relationship between changes in promotional activity and share of claimed usual brand smokers among YAS? What does claimed usual brand mean to a YAS and how often does it change?
4. Why, how, and when does an occasional user of CAMEL become a claimed usual brander? What role do promotions play in that process? How often do you need to promote to turn occasional user into adopters?
5. What impact does promoting have on a brand's image? What kind of promotions and how much) enhance desired brand imagery?
6. What impact does change in CAMEL's promotion strategy in 1990 to all pack promotions have on share of market and share of smoker performance?
7. What impact does national OOH presence in 1990 have on advertising awareness and in-market perceptions?
8. What percentage of younger adult CUB CAMEL smoker volume is promoted versus younger adult CUB Marlboro smoker volume?
9. What drives a Marlboro younger adult smoker to interact with CAMEL and when/why does that interaction increase versus decrease?
10. What percentage of older adult CUB CAMEL smoker volume is promoted and what promotions do they use? How do they differ from promotions younger adult CAMEL smokers use?
11. Is CAMEL's geographic development driven by its development among younger adult smokers?
12. Why is younger adult smoker style selection different for CAMEL (i.e. Lights Soft Pack) versus Marlboro (i.e. Full Flavor Box)? Is this trend changing?

CX-642

015789

PRODUCED TO FTC PURSUANT TO C.I.D. ISSUED 8/1/90

Key Performance Issues in 1990

CONFIDENTIAL

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in copy

HUMPHREY

**MATERIAL
REDACTED**

52189 5252

50731 8693

015800

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Key Performance Issues in 1990

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**MATERIAL
REDACTED**

52189 5253

50731 8694

15801

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50718 1169

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HUMPHREY

STRATEGIC
OVERVIEW OF
YAS

RHO13929

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 5254

EXACT COPY

CX-668

EXHIBIT NO.	17
Wit:	J. Moore
Date:	6/14/98
Rptr:	dh

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50710 1170
Produced by RJRTC
YAS STRATEGIC OVERVIEW
BACKGROUND

A SUBSTANTIAL BASE OF LEARNING ABOUT YAS ALREADY EXISTS.

MAJOR STUDIES
HUMPHREY

- STRATEGIC INITIATIVES
- YAS RESOURCE ALLOCATION
- MARLBORO ANALYSIS
- FUBYAS STUDY
- LESS EDUCATED SMOKERS
- SMOKER PERSONALITY STUDY
- HISTORICAL NEW BRAND OPP.
- TRACKER DATA
- FOCUS GROUPS

WE KNOW THE MARKET AND WE KNOW WHAT WORKS.

5525 68125

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RH013930

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**YAS STRATEGIC OVERVIEW
BACKGROUND**
Produced by RJRTC

50718 1171

**MAY MARLBORO WAS SUCCESSFUL
in**

PROVIDED SUPERIOR IMAGE TO YAS AT A TIME WHEN COMPETITION WAS OUT OF TOUCH AND PUT CONSISTENT, SINGLE-MINDED MARKETING SUPPORT BEHIND IT.

- ACHIEVED 42.4% SHARE OF SMOKERS 18-20 BY 1982
- AVERAGED ABOUT 2 POINTS/YEAR GROWTH
- WILL OWN ANGLO YAS MARKET WITHIN 10 YEARS AT THIS GROWTH RATE.

9529 68125

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dated June 6, 1997.

RH013931

PROPERLY PREPARED

YAS STRATEGIC OVERVIEW BACKGROUND

Produced by RJRTC

50718 1172

WHY NEWPORT WAS SUCCESSFUL

in

ESTABLISHED A DOMINANT PRESENCE IN SELECTED BLACK MARKETS VIA LOCAL FIELD MARKETING PROGRAMS.

- ACHIEVED 76½ SOS AMONG BYAS IN NASA OVER 10 YEARS.
- GREW BY 8-11 POINTS/YEAR AMONG BYAS IN SASA/PMSA IN MID 1980'S.
- CAN OWN BYAS MARKET BY EXPANDING PROGRAM TO OTHER AREAS.

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52189 5257

RH013932

...NOT OF BUSINESS IF ITS DECLINE AMONG YAS
OVER 20 YEARS. THIS COULD REPRESENT ...

- **DIRECT LOSS OF SHARE**
- **LOST OPPORTUNITY**

GROUP	RJR PROJECTED \$05				
	1989	1994	1999	2004	2009
18-20	11.9	8.5	6.1	4.4	3.2
18+	30.8	27.7	24.6	21.0	17.0
Ann. Loss	.62	.62	.66	.76	.84

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YAS STRATEGIC OVERVIEW OBJECTIVES

in

TO STABILIZE RJR'S SHARE OF TOTAL SMOKERS, IT MUST RAISE SHARE AMONG
18-20 FROM 13.8% TO 40% ... ASAP. STRATEGIES NEED TO COUNTER ...

- MARLBORO AMONG ANGLOS/MEXICANS
- NEWPORT AMONG BLACKS/PR

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50718 1175

**PROPOSED
YAS STRATEGIC OVERVIEW
STRATEGIC PLAN**

Produced by RJRTC

THE FOLLOWING DESCRIBES A STRATEGIC PLAN THAT GIVES RJR A GOOD CHANCE OF REACHING ITS OBJECTIVE OF 40% AMONG SMOKERS 18-20 BY 1995. IT DESCRIBES...

HUMPHREY

- ROLE OF CURRENT PLAN
- NEW PROGRAMS NEEDED

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0925 68125

RH013935

50718 1176

Produced by RJRTC
in

ETHNIC MARKETING PROGRAM
TEMPHREY

- CAMEL: MEXICANS/CUBANS
- SALEM: BLACKS/PR

GM PROGRAMS

- CAMEL
- MAGNA

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52189 5221

RHO 13936

PROPERTY OF RJRTC

50718 1177

YAS STRATEGIC OVERVIEW STRATEGIC PLAN ETHNIC

STRATEGY: TO ACHIEVE DOMINANT PRESENCE FOR TARGETTED BRAND VIA LOCAL FIELD MARKETING AND PROVIDE IMAGERY THAT ADDRESSES UNIQUE INTERESTS.

POTENTIAL:

CAMEL/SALEM EXPECTED TO ACHIEVE 40% GOAL BY MID 1990'S. A 40% SHARE IN ETHNIC MARKETS PROVIDES 11 POINTS OF TOTAL YAS SHARE.

<u>ETHNIC GROUP</u>	<u>RJR SHARE</u>	<u>YAS SHARE POINTS</u>
MEXICAN/CUBAN	40%	5½
BLACK/PR	<u>40</u>	<u>6</u>
TOTAL	40%	11½

RATIONALE:

NEWPORT'S ETHNIC PROGRAM PRODUCED 8 POINTS/YEAR AMONG BLACK YAS.

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52189 5262

RH013937

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YAS STRATEGIC OVERVIEW STRATEGIC PLAN CAMEL

STRATEGY: TO PROVIDE A SUPERIOR IMAGE VIA "OLD JOE" THEME, CONCENTRATE RESOURCES IN BEST MARKETS (PMSA)

ASSESSMENT:

MOST RECENT RESULTS ENCOURAGING. SHARE AMONG YAS IN 1988 WAS ABOVE TREND...

- PAC/MOUNTAIN
- AGE 18-20

	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>1988</u>		<u>TEST</u>
							<u>TREND</u>	<u>ACT.</u>	
TOTAL YAS	3.2	3.8	2.9	3.3	3.2	3.0	3.2	4.4	+3.88
• PMSA	8.1	10.5	7.9	7.6	7.9	6.3	6.6	10.6	+3.89
AGE 18-20	3.2	3.3	2.6	3.3	3.1	3.2	3.1	5.3	+4.16

SOURCE: TRACKER

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dated June 6, 1997.

PROPERTY OF RJRTC
 YAS STRATEGIC OVERVIEW
 STRATEGIC PLAN
 CAMEL
 Produced by RJRTC

POTENTIAL:

WITH CONTINUED SUCCESS/EXPANSION OF PROGRAM, CAMEL SHARE OF YAS COULD REACH 15-20% BY 1995.

CAMEL
 SHARE

ETHNIC	5%
ANGLO	10-15
TOTAL	15-20%

RATIONALE:

STRATEGY IS SIMILAR TO MARLBORO'S APPROACH IN 1960'S AND CURRENT DATA SUGGESTS IT IS WORKING.

- CURRENT GROWTH RATE (2.1 POINTS/YEAR) FOR CAMEL PROJECTS TO 20.0% IN 1995.
- FROM 1964-1979 MARLBORO GREW BY 1.7 POINTS/YEAR AMONG YAS. AT THIS RATE CAMEL SHARE IN 1995 WOULD BE 16.5%

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YAS STRATEGIC OVERVIEW
STRATEGIC PLAN
MAGNA

50718 1180

in

HUMPHREY

STRATEGY: PRICE

POTENTIAL:

OFFERS A POSSIBILITY OF MAJOR GAINS, HOWEVER, MOST LIKELY ESTIMATE FOR 1995 IS 3-5 SHARE OF YAS.

RATIONALE:

MAGNA SOM IN 1995 IS ESTIMATED AT 1.92% IN THE 1989 OPERATING PLAN. IF IT CONTINUES TO SKEW YAS, ITS 1995 YAS SHARE WILL BE 4.5%. HOWEVER, IF OCCASIONAL USAGE IS HIGH, THE UB FIGURE MAY BE ONLY 3%.

1995 SOM	1.92
X PURCHASE SKEW	<u>233</u>
1995 YAS SOM	4.5%

5925 68125

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RH013940

PROPERTY OF RJRTC

YAS STRATEGIC OVERVIEW STRATEGIC PLAN

50716 1181

CURRENT PLAN: SUMMARY

in

EACH ELEMENT OF RJR'S CURRENT PLAN IS BASED ON A STRATEGY THAT HAS WORKED BEFORE.

- ETHNIC PROGRAMS ACHIEVE DOMINANT PRESENCE/EFFECTIVE IMAGE
- CAMEL PROGRAM BASED ON IMAGE
- MAGNA ESTABLISHES PRICE

HOWEVER, THE STRATEGIES/PROGRAMS IN THE CURRENT PLAN WILL PROBABLY FALL SHORT OF THE 40% YAS GOAL.

BRAND	YAS SHARE POINTS	
	TOTAL	ETHNIC
CAMEL	15-20%	10-15%
SALEM	6	--
MAGNA	3-5	3-5
TOTAL RJR	24-31%	11%

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50710 1182

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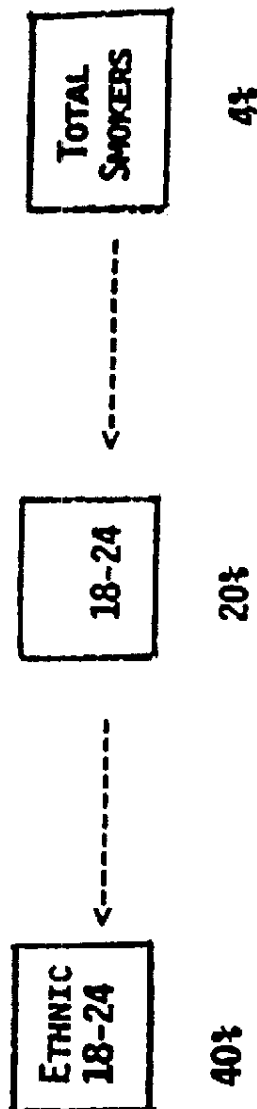
YAS STRATEGIC OVERVIEW

STRATEGIC PLAN

CURRENT PLAN

RJR SHARE IS EXPECTED TO BE HIGHER IN THE ETHNIC YAS MARKET THAN IN THE ANGLO YAS MARKET BECAUSE THE ETHNIC PROGRAMS ARE:

- MORE TARGETTED: SIMILAR INTERESTS
- PROVIDE GREATER PRESENCE



52189 5267

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dated June 6, 1997.

RH013942

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YAS STRATEGIC OVERVIEW
STRATEGIC PLAN
Produced by RJRTC
CURRENT PLAN

GM PROGRAM FOR ANGLO YAS CANNOT CURRENTLY ACHIEVE A 40% SHARE OF VOICE AMONG YAS.

PROMOTION

HUMPHREY

TO ACHIEVE 40% SOV, IT WOULD BE NECESSARY TO EXPAND EXISTING VEHICLES TO THEIR LIMIT.

- DIRECT MARKETING TO SMOKERS 18-20
- DOUBLE PACK ACTION PROMOTION
- INCREASE SAMPLING SUBSTANTIALLY

ADVERTISING

NOT POSSIBLE TO ATTAIN 40% SOV AMONG YAS IN A COST-EFFECTIVE WAY SINCE EXISTING VEHICLES NOT TARGETTED.

52129 5268

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 dated June 6, 1997.

RH013943

**YAS STRATEGIC OVERVIEW
STRATEGIC OVERVIEW
NEW PROGRAMS**

Produced by RJRTTC in

**NEW MARKETING PROGRAMS ARE NEEDED THAT ARE HIGHLY TARGETTED TO ANGLO
YAS.**

HUMPHREY

- SUPPLEMENT TO GM PROGRAM
- BENEFITS SIMILAR TO ETHNIC PROGRAM
- TARGETED MESSAGE
- DOMINANT PRESENCE
- COST EFFECTIVE REACH

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

6925 68125
5266

RH013944

PROPERTY OF RJRTC

Produced by RJRTC

YAS STRATEGIC OVERVIEW STRATEGIC PLAN NEW PROGRAMS

in

CONCEPT

SEVERAL TARGETTED MARKETING VEHICLES WOULD BE BUILT THAT REACH ANGLO YAS BASED ON THEIR INTERESTS. THE OVERALL PROGRAM WOULD REACH ALL YAS AND EACH SMOKER IS REACHED...

- FREQUENTLY
- WITH PERSONALIZED MESSAGE

SMOKER	TARGETED PROGRAM							INTERESTS
	1	2	3	4	5	6	7 ...	
1	X			X		X	X	
2	X	X		X	X			
3		X	X					
4	X			X		X	X	
5	X	X						
6		X	X	X			X	
7	X		X					
8					X	X	X	

Produced to Federal Trade Commission pursuant to subpoena dated July 11, 1977

Produced to Federal Trade Commission pursuant to subpoena dated July 11, 1977

PROPERTY OF RJRTG
TOTAL MARKETING PROGRAM
Produced by RJRTG

50718 1188

ANHEUSER-BUSCH SUCCESSFULLY USING "TOTAL MARKETING" APPROACH SINCE 1977.
PROGRAM INCLUDES...

- NATIONAL MARKETING TO ACHIEVE BROAD REACH AND FREQUENCY
 - GENERAL MARKET POSITIONING
 - GENERAL MARKET WORK PLAN
- TARGET MARKETING TO COMMUNICATE PERSUASIVELY
 - SEGMENT GENERAL MARKET GEOGRAPHICALLY, DEMOGRAPHICALLY, AND BY SPECIAL INTERESTS. TARGET CRITERIA INCLUDE...
 - ABILITY TO REACH, ALTHOUGH LESS FREQUENTLY
 - MINIMUM OF 200,000 BEER DRINKERS
 - HAVE SOMETHING IMPORTANT IN COMMON
 - BELIEVE WHAT THEY HAVE IN COMMON MAKES THEM SPECIAL
 - MARKET COVERAGE
- OVERLAPPING SEGMENTS COVER ENTIRE MARKET (21-34 YEAR OLDS)
 - INDIVIDUAL BEER DRINKERS IN MULTIPLE SEGMENTS
- CUSTOM MARKETING PROGRAM TAILORED TO TARGET MARKET.

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PROPERTY OF RJR YAS STRATEGIC OVERVIEW STRATEGIC PLAN Produced by RJR NEW PROGRAMS

50718 1187

BENEFIT:

TARGETTED MARKETING PROGRAM WOULD PROVIDE AN EFFORT WITH KEY BENEFITS OF ETHNIC MARKETING.

- TARGETED MESSAGE
- DOMINANT PRESENCE

PROGRAM COULD CLOSE THE SHARE GAP BETWEEN ANGLO AND ETHNIC PERFORMANCE ALLOWING RJR TO MEET GOAL.

BRAND	CURRENT PLAN	TARGETTED MARKETING	TOTAL
CAMEL	15-20%	9%	24-29%
SALEM	6	-	6
MAGNA	3-5	-	3-5
TOTAL RJR	24-31%	9%	33-40%

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RHO13947

PROPERTIES OF RJRT
**YAS STRATEGIC OVERVIEW
STRATEGIC PLAN Produced by RJRTC
NEW PROGRAMS**

WHILE RJR COULD MEET GOALS VIA CURRENT PLAN PLUS TARGET MARKETING, WE BELIEVE IT IS NECESSARY TO IDENTIFY OPPORTUNITIES FOR NEW BRANDS/LINE EXTENSIONS. THIS... **HUMPHREY**

- BUILDS RESERVE STRENGTH INTO PLAN
- BROADENS ATTACK ON MARLBORO
- PROVIDES OPTIONS FOR FUTURE
- REPRESENTS HIGH POTENTIAL

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AS STRATEGIC OVERVIEW
STRATEGIC PLAN
NEW PROGRAMS

in

FOUR NEW IDEAS WERE IDENTIFIED IN PROJECT DELTA
HOMEREX

<u>YAS TARGET</u>	<u>PRODUCT/SEGMENT</u>
BLACKS	MENTHOL
ANGLO FEMALE	VIRILE
ANGLO MALE	LARGE CIRCUMFERENCE TIGHTLY PACKED

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Produced by RJRTIC
YAS STRATEGIC OVERVIEW
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NEW PROGRAMS
in

**THERE MAY ALSO BE AN OPPORTUNITY TO ADDRESS THE DECLINE OF MENTHOLS
AMONG ANGLO YAS.**

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PROPERTY OF RJRT
YAS STRATEGIC OVERVIEW
STRATEGIC PLAN
CAMEL
Produced by RJRTC

in

BENEFIT

IF CAMEL IS ABLE TO SUSTAIN ITS YAS GROWTH, ITS TOTAL SOM, BASED ON VOLUME, WILL INCREASE BY 1.4 SHARE POINTS BY 1995.

- TRACKER PERFORMANCE IN 1988 CONSISTENT WITH NIELSEN/MSA
 - YAS GAINS EQUIVALENT TO .13 POINTS SOM
 - NIELSEN GROWTH OF 0.1
 - MSA GROWTH OF 0.2
- SOM GROWTH WOULD AVERAGE 0.2-0.3 POINTS/YEAR BY 1995.

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PROPERTY OF RJRTC
YAS STRATEGIC OVERVIEW
STRATEGIC PLAN
NEW PROGRAMS
Announced by RJRTC

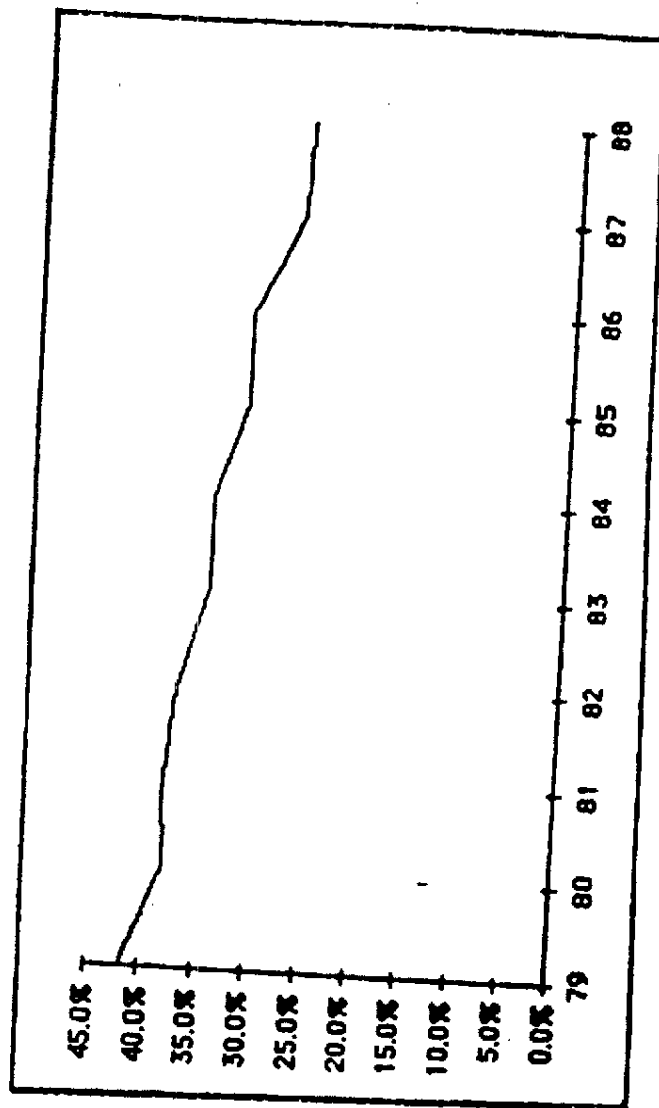
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MENTHOL CATEGORY HAS DECLINED FROM 42% OF YAS IN 1979 TO 27% IN 1988.
THIS DECLINE SEEMS TO BE ACCELERATING. ANGLO YAS ARE THE CHIEF
PROBLEM.

HUMPHREY

AGE 18-24

MENTHOL



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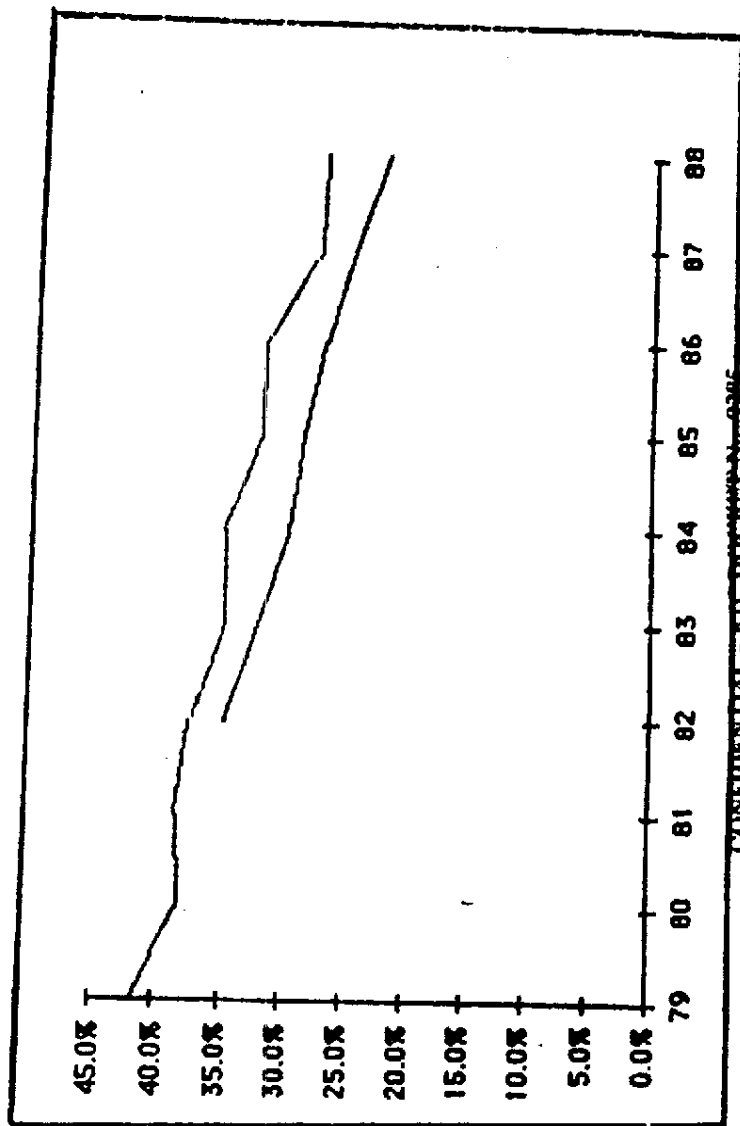
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AS STRATEGIC OVERVIEW STRATEGIC PLAN NEW PROGRAMS

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in

MENTHOL PERFORMANCE IS WEAKER AMONG SMOKERS 18-20 THAN AMONG YAS. THIS INDICATES THE FRONT DOOR FOR MENTHOL'S IS ERRODING.



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YAS STRATEGIC OVERVIEW STRATEGIC PLAN NEW PROGRAMS

WHILE THE EXACT CAUSE OF THE MENTHOL DECLINE IS NOT KNOWN, THE MOST OFTEN CITED REASONS ARE:

- MARLBORO PEER ACCEPTANCE
- LOW PRODUCT ACCEPTABILITY
- "PREP IMAGE"

ALL OF THESE REASONS IMPLY THAT CONSUMERS CONTINUE TO WANT THE TASTE BENEFITS OF MENTHOL.

- PROBLEMS CAN BE SOLVED
- POTENTIAL OF 40% PLUS

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YAS STRATEGIC OVERVIEW STRATEGIC PLAN NEW PROGRAMS

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THERE ARE SPECIAL CONSIDERATIONS THAT APPLY TO ANY EFFORT TO ADDRESS THIS OPPORTUNITY.

- WHILE 40% OF YAS SHOULD SMOKE MENTHOLS, ONLY 27% ACTUALLY SMOKE THEM. THE 13% LOSS WILL NOT BE RECOVERED SINCE THEY HAVE ACQUIRED A PREFERENCE FOR NM.
- PROCESS OF DEVELOPING A BRAND WILL FACE SPECIAL CHALLENGES
 - COMMUNICATION
 - PRODUCT STANDARDS
- SHARE PERFORMANCE WILL BE LOW FOR SEVERAL YEARS SINCE GROWTH DRIVEN BY FUBYAS.

	89	90	91	92	93	94	95
FUB%	--	3.0	6.0	9.0	12.0	15.0	18.0
18-20%	0.6	1.4	2.9	4.9	7.3	9.8	12.0
18-24%	0.6	0.9	1.6	2.7	4.0	5.5	7.3
18+ %	0.3	0.4	0.5	0.6	0.9	1.1	1.5

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RJR HAS TWO OPTIONS FOR BUILDING MENTHOL SHARE AMONG ANGLO YAS.

- SALEM
- NEW BRANDS

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RESULTS

RJR COULD USE SALEM TO REVERSE THE MENTAL DECLINE AMONG ANGLO YAS. OPPORTUNITY IS SAME AS SALEM'S ORIGINAL REASON-FOR-BEING. HOWEVER, THE BRAND/SITUATION IS DIFFERENT TODAY.

IN ORDER TO CAPITALIZE, CHANGES IN STRATEGY/EXECUTION WOULD BE NECESSARY BASED ON RECENT PERFORMANCE.

	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>1988</u> <u>TREND</u>	<u>ACT.</u>	<u>L. TEST</u>
18-24	9.4	8.1	8.2	6.5	6.6	5.2	5.3	4.7	- 1.46
18-20	8.3	7.2	6.4	5.1	4.2	4.1	3.3	2.8	- .96

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PROPERTY OF RJR
**YAS STRATEGIC OVERVIEW
STRATEGIC PLAN Produced by RJR TC
NEW PROGRAMS**

SALEM in

**TO ADDRESS OPPORTUNITY, SALEM NEEDS TO CORRECT CAUSES OF MENTHOL
DECLINE:**

- MARLBORO
- PRODUCT
- IMAGE

OPTION

COMMENT:

- | | |
|--|--|
| 1. <u>CHANGE PRODUCT/ADVERTISING OF
CURRENT FF STYLES</u> | 1. HIGH RISK TO CURRENT BUSINESS |
| 2. <u>ADDRESS VIA SB WITH DIFFERENT AD/
PRODUCT. NO TO EXISTING STYLES</u> | 2. SPLIT PERSONALITY/PRODUCT
HERITAGE |
| 3. <u>INTRO SB. CHANGE ADS. EVOLVE FF85
SOFT PRODUCT</u> | 3. MANAGE RISK |

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AS STRATEGIC OVERVIEW
STRATEGIC PLAN
NEW PROGRAMS

NEW BRANDS

CHIEF PROBLEMS ARE:

HUMPHIREY

- DO NOT CURRENTLY EXIST
- LOW INITIAL SHARES LIKELY

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YAS STRATEGIC OVERVIEW
STRATEGIC PLAN
NEW PROGRAMS

in

POTENTIAL

LONGER TERM POTENTIAL IS MORE THAN 40%. SHORT TERM, A SHARE OF 10-15% IS POSSIBLE BY 1995.

- MENTHOLS LOST 13.1 POINTS IN THE PAST 6 YEARS. IF RJR REVERSED THIS TREND, 1995 SHARE WOULD BE 15.3% (NEW BRAND) TO 18.1% (SALEM).
- AN EFFECTIVE STRATEGY WOULD PARALLEL SALEM'S ORIGINAL PLAN. DURING 1950'S, SALEM GAINED 7.4 POINTS IN 5 YEARS BY ATTRACTING NM SWITCHERS. AT THIS RATE, 1995 SHARE WOULD BE 10.4% (NEW BRAND) TO 13.4% (SALEM).
- MENTHOLS GREW 41 POINTS AMONG YAS BETWEEN 1957 AND 1979. AT THIS RATE (1.9/YEAR), 1995 WOULD BE 13.0% (NEW BRAND) TO 16.0% (SALEM).

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YAS STRATEGIC OVERVIEW
SUMMARY

MARKET TRENDS in

RJR SHARE AMONG YAS CONTINUED TO DECLINE IN 1988. IF THIS DECLINE CONTINUES, RJR FACES A SUBSTANTIAL (14 POINTS) LOSS IN SHARE OF TOTAL SMOKERS OVER THE NEXT 20 YEARS.

CURRENT TRENDS WILL RESULT IN THE COMPETITION OWNING THE YAS MARKET BY 1995.

- MARLBORO: ANGLOS/MEXICANS
- NEWPORT: BLACKS/PR'S

OBJECTIVE

RJR NEEDS TO RAISE ITS SOS AMONG SMOKERS 18-20 FROM 14% TO 40% BY 1995.

STRATEGIC PLAN

A STRATEGIC PLAN WAS PROVIDED TO MEET THE OBJECTIVE INCLUDING BRAND STRATEGIES, MARKETING PROGRAMS, AND A RATIONALE THAT LINKS TO OBJECTIVE.

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PROPERTY OF RJRTIC
YAS STRATEGIC OVERVIEW
SUMMARY

produced by RJRTIC

STRATEGIC PLAN (CONT'D)

A. BRAND STRATEGIES

SEEKS A SUSTAINABLE COMPETITIVE EDGE IN THREE IMPORTANT WAYS:

- CAMEL PROVIDES SUPERIOR IMAGE
- MAGNA ESTABLISHES PRICE
- SALEM/NEW BRANDS VIA PRODUCT

B. MARKETING PROGRAMS

GM PROGRAMS SUPPLEMENTED WITH TARGETTED MARKETING PROGRAMS THAT PROVIDE DOMINANT PRESENCE AND PERSONALIZED MESSAGE.

1. SPECIAL MARKETS

- BLACKS
- HISPANICS

2. INTEREST SEGMENTS

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YAS STRATEGIC OVERVIEW SUMMARY

STRATEGIC PLAN (CONT'D)

in

C. EXPECTED RESULTS

STRATEGIC PLAN EXPECTED TO MEET GOAL OF 40% SHARE BY 1995. BASED ON STANDARDS OF SUCCESS ESTABLISHED IN THE PAST, EXPECTED RJR RESULTS ARE:

	1995 \$OS* AMONG YAS	
	TOTAL	ANGLO ETHNIC
CAMEL	20%	15%
MAGNA	5	5
SALEM	15	9
TOTAL RJR	40%	29%
		11%

* HIGH SIDE EST. DUE TO TARGETED MARKETING

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**YAS STRATEGIC OVERVIEW
SUMMARY**

BENEFIT

in

IF RJR ACHIEVES YAS OBJECTIVE, ITS TOTAL SHARE OF SMOKERS WILL BEGIN TO GROW IN 1995, REACHING 35% IN 20 YEARS. IN COMPARISON TO RESULTS UNDER THE CURRENT DECLINE, BENEFITS OF A SUCCESSFUL YAS PROGRAM ARE:

- AVOID MAJOR LOSS (18 POINTS)
- ESTABLISH GROWTH OF .58 POINTS/YEAR
- CUMULATIVE 20 YEAR GAIN OF...
 - 572 BILLION UNITS
 - \$6.4 BILLION (AT '88 CAMEL MAPE)

PROGRAM	RJR SHARE OF TOTAL SMOKERS			
	1989	1994	1999	2004 2009
YAS PROGRAM	31.4	29.3	29.9	32.3 35.1
CURR. DECLINE	31.4	27.7	24.6	21.0 17.0
BENEFIT				11.3 18.1

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YAS STRATEGIC OVERVIEW
SUMMARY Produced by RJRTC

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STRATEGIC PLAN

D. PLAN IS DIVERSIFIED, INTEGRATED, AND PROVIDES OPTIONS:

1. DIVERSITY
DUPLICATION OF EFFORT MINIMIZED VIA STRATEGIES
 - CAMEL FOCUS ON IMAGE
 - MAGNA HAS PRICE EMPHASIS
 - SALEM/NB BASED ON SAMPLING/TRIAL
2. INTEGRATION
TARGETED MARKETING CUSTOMIZED TO BRAND NEEDS
 - CREATIVE IDEAS FOR CAMEL
 - SAMPLING VEHICLES FOR SALEM/NB
3. OPTIONS
RESERVE DESIGNED INTO PLAN TO ALLOW FOR OBSTACLES. WE CAN CHANGE THE EMPHASIS RATHER THAN THE STRATEGIC PLAN.
 - CAMEL/MAGNA COULD MEET OBJECTIVE IF MENTHOL TURNAROUND FAILS.
 - IF ADVERTISING RESTRICTIONS ARE PASSED, NEW VEHICLES ARE AVAILABLE.
 - IF CAMEL FAILS TO BROADEN APPEAL, SALEM/NB CAN FILL GAP.

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YAS STRATEGIC OVERVIEW
 NEXT STEPS

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1. FOR RJR'S PROGRAMS TO SUCCEED, IT MUST BE COMMITTED TO YAS PROGRAMS. TO ENSURE RESULTS, FORMAL GOALS SHOULD BE ESTABLISHED IMMEDIATELY AND CONSISTENT GROWTH DEMANDED BY BRAND

BRAND	1989	1990	1991	1992	1993	1994	1995
CAMEL	7	9	11	13	15	17	20
SALEM	4	5	7	9	11	13	15
MAGNA	1	2	3	4	5 ⁴	5	5
OTHER*	2	2	1	-	-	-	-
TOTAL RJR	14	18	22	26	30	35	40

* NOT INCLUDED IN GOAL

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NEXT STEPS
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2. IMPLEMENT YAS TARGETED MARKETING PROGRAM AND EXPAND ETHNIC PROGRAMS ASAP SINCE HALF OF RJR'S GOAL RELIES ON THESE PROGRAMS.

PROGRAM BENEFIT
HUMPHREY

ETHNIC	11
TARGETED MKTG.	9
TOTAL	20

STRATEGIC MARKETING WILL DEVELOP NEEDED PROGRAMS.

- MILITARY YAS INITIATIVE (APRIL)
- IDENTIFY INTEREST SEGMENTS (JUNE)
- DEVELOP TARGETED PROGRAMS
 - COMPLETE ONE TARGETED PROGRAM/QUARTER
 - TOTAL PROGRAM COMPLETE 1990

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YAS STRATEGIC OVERVIEW NEXT STEPS

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3. DEVELOP/TEST OPPORTUNITIES TO SERVE AS OPTIONS TO CURRENT RJR PLANS... NEW BRANDS THAT...

in HUMPHREY

- REVERSE MENTHOL DECLINE
- ADDRESS BLACK YAS MARKET
- CAPITALIZE ON MARLBORO VULNERABILITY AMONG FEMALES
- SERVE AS BACK-UPS TO CAMEL/MAGNA

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10-YEAR CIGARETTE
FORECAST 1975-1985

TRENDS IN CIGARETTE
SMOKING BEHAVIOR

EXHIBIT NO. 18
Wrt: J. Mance
Date: 6/4/98
Rptr: [signature]

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MANCINI

HUMPHREY

10-YEAR CIGARETTE FORECAST 1975-1985

• DOMESTIC INDUSTRY VOLUME

- + Total U. S.
- + Four Major Regions
- + Distribution By Sex And Age

SHARE OF MARKET

- + Brands And Styles
- + Companies (translated into volume for RJR)
- + Categories

SHARE OF SMOKERS - BY CATEGORIES

Table Page	1
Index	2A
Basic Assumptions - 10-Year Forecast	3
10-Year Industry Forecast - Methodology	3
DOMESTIC INDUSTRY TOTAL U. S.	4
10-Year Growth Rate	5
DISTRIBUTION OF INDUSTRY VOLUME - BY SEX AND AGE	6
Distribution of Volume By Age Groups 1975 - 1985	7
Distribution of Volume By Age Groups For Each Sex	8
Distribution of Volume - Between Men And Women - By Age Groups	9
INDUSTRY VOLUME AND RJR SHARE OF MARKET BY REGIONS	10
Industry Volume - By Regions	11
10-Year Forecast - RJR Share of Market - Nationally	12
And By Regions	13
100M of Companies And Selected Brands	14
Share of Market - Six Major Manufacturers	15
Share of RJR Brands	16
Share of Existing And New Brands - RJR, PM, and B & W	17
Share of Other New RJR Brands - By Flavor	18
Relative Volume (Billions) of RJR Brands	19
WINSTON and WARD Brand Styles	20
SALE and KOOL - By Styles	21
CAMEL, MORAN, and VANTAGE - By Styles	22
100M of Top 10 Brands Based on Rank in 1975	23
100M of Top 10 Brands Based on Rank in 1985	24
SHARE OF MARKET BY CATEGORIES	24
100M - Total Non-Filter And Filter - Also Non-Menthol And Menthol Filter	25
RJR Share of Total Non-Filter	26
RJR Share of Filter Cigarettes	27
100M - Filters - By Length	28
100M - Filter - By Flavor Level	29
100M - Full Flavor Non-Menthol And Menthol - By Length	30
100M - Middle Flavor Non-Menthol And Menthol - By Length	31
100M - Hi-Fi Non-Menthol And Menthol - By Length	32
Sex Category	33
RJR Share of 85's Non-Menthol Normal Category	34
RJR Share of 100-120 Non-Menthol Normal Category	35
RJR Share of 85's Hi-Fi Non-Menthol Category	36
RJR Share of 85's Menthol Normal Category	37
RJR Share of 100-120 Menthol Normal Category	38
RJR Share of Hi-Fi 85's Menthol Category	39
SHARE OF SMOKERS - CATEGORIES BY SEX	40
Share of Smokers - By Sex - Non-Filter, Filter, Non-Menthol And Menthol	41
Share of Smokers - By Flavor And Sex	42
Share of Smokers - Non-Menthol Filter - By Flavor Level And Sex	43
Share of Smokers - Menthol Filter Cigarettes By Flavor Level And Sex	44
Share of Smokers - Non-Menthol And Menthol Filter By Length And Sex	45
CIGARETTE PREFERENCES - BY AGE	46

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BASIC ASSUMPTIONS - 10-YEAR FORECAST

- Tobacco and other raw materials will be available in adequate quantities and right grades.
- There will be no basic adverse developments in the cigarette health controversy, that would materially restrict or control manufacturing/sale/distribution of cigarettes.
- Recovery will begin from current economic recession by end of 1975, and no serious depression or catastrophes (i.e., major war) that would materially affect consumption.
- Percentage increase in cigarette prices, resulting from higher taxes or other causes, will be smaller or at worst no greater than rise in consumer disposable income.
- There will be no serious additional restrictions on advertising/promotion to consumers.

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10-YEAR CIGARETTE INDUSTRY VOLUME FORECAST - METHODOLOGY

Volume forecast based upon:

- Census projections of changes in population 14 years of age and older, by sex and age within sex, and
- MRD estimates of trends in incidence of smoking and smoking rates made judgmentally taking into account historical and current data.

Share of Market forecasts for companies and categories made by totaling forecast for individual brands and styles of existing brands and a limited number of new brands.

Assumption made that if successful new brands should be introduced other than those shown in forecast, 100% of volume of such brands would come out of brands included in the forecast and would not affect forecast company or category total shares.

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10-YEAR FORECAST

DOMESTIC INDUSTRY TOTAL U. S.

- 4 -

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MANGINI
HUMPHREY

10-YEAR FORECAST OF DOMESTIC CIGARETTE CONSUMPTION

	<u>Volume (billions)</u>	<u>Annual Average Growth Rate Preceding 5 Years</u>
1975	557.7	2.9%
1980	667.0	2.6
1985	741.0	2.1

In next 10 years cigarette consumption will increase less rapidly than in past 5 years but will average over 2% a year.

- Industry sales in 1985 will be up 26% over 1975. Population 14 years of age and over will increase 12%. Per capita consumption (14 years and older) will rise from 3,599 to 4,043 - 11%.

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HUMPHREY

10 YEAR FORECAST

DISTRIBUTION OF INDUSTRY VOLUME -

BY SEX AND AGE

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10-YEAR FORECAST
ESTIMATED DISTRIBUTION OF CIGARETTE
VOLUME BY AGE GROUPS 1975 - 1985

	1975	1980	1985
14 - 17	2.2%	2.2%	2.1%
18 - 20	4.8	4.7	3.8
21 - 24	9.1	9.5	8.7
Total 14 - 24	16.1	16.4	14.6
25 - 34	26.3	28.9	29.6
35 - 49	30.5	28.5	31.0
50 and over	27.1	26.2	24.8
	100.0	100.0	100.0

Smokers under 25 account for about one-sixth of industry volume. Share will decline from 1980 to 1985.

From 1975 to 1980 biggest volume increase will be in 25 - 34 age group. From 1980 to 1985 biggest gain will be in 35 - 49 group.

- The over 50 group will decline in importance in the next 10 years.

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10-YEAR FORECAST

DISTRIBUTION OF INDUSTRIAL VOLUME - BY AGE GROUP FOR EACH SEX

<u>Age Group</u>	<u>1975</u>		<u>1980</u>		<u>1985</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
14 - 24	16.7	16.7	16.9	17.0	15.1	15.4
25 - 34	24.3	24.2	29.1	26.2	29.9	26.9
35 - 44	20.6	29.9	28.6	27.8	31.3	29.8
50 and over	26.4	29.3	25.3	29.0	23.7	27.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Forecast by sex:

- 14 - 24 age group will account for smaller percentage of volume in 1985 than in 1975.
- 24 - 34 is growth segment next 10 years.
- 35 - 44 age group will slip in importance next 5 years but will recover from 1980 to 1985.
- Over 50 age group will decline in importance.

10-YEAR FORECAST

DISTRIBUTION OF INDUSTRY VOLUME BETWEEN MEN AND WOMEN

BY AGE GROUPS

Age Group	1975		1980		1985	
	Men	Women	Men	Women	Men	Women
14-24	58	42	58	42	57	43
25-34	60	40	60	40	60	40
35-44	58	42	58	42	59	41
45-54	53	45	54	46	54	46
55 and over	—	—	—	—	—	—
Total All Ages	58	42	58	42	58	42

Percentage of total volume contributed by men and by women not forecast to change in next 10 years. Only minor changes by age groups.

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10-YEAR FORECAST

INDUSTRY VOLUME AND RJR SHARE OF MARKET

BY REGIONS

- 10 -

RJR498267

75M00390

52189 5305

50205 7605

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10-YEAR FORECAST

INDUSTRY VOLUME - BY REGIONS

	<u>1975</u>	<u>1980</u>	<u>1985</u>	% Increase <u>1975-85</u>
Northeast	135.2	140.3	157.5	16.5
North Central	101.7	100.0	195.7	21.0
South	112.2	226.4	257.3	33.9
West	92.6	114.3	130.5	32.4
Total U.S.	441.7	667.0	741.0	26.1

- 63% of Industry increase 1975-1985 will come in South and West.

- Largest increase (both percent and actual) will be in the South.

ANNOUNCEMENT

RJR SHARE OF MARKET - NATIONALLY AND BY REGIONS

	<u>1974</u>	<u>1980</u>	<u>1985</u>	<u>Share Gain 1974-85</u>
Northeast	20.2	30.7	34.2	8.0
North Central	31.7	35.0	38.3	6.6
South	39.9	39.5	41.0	2.1
West	35.7	32.2	36.2	7.5
Total U. S.	32.0	35.0	38.0	6.0

Largest share gains will come in Northeast and West - currently weakest regions.

North Central currently only a little below total U. S. share, and is forecast to show somewhat above average gain.

- Smallest gain will be in South. Hopefully, we can moderately increase share in our strongest region -- seems necessary to secure 38% share nationally.

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10-YEAR FORECAST

SOME OF COMPANIES AND SELECTED FUNDS

10-YEAR FORECAST

SHARE OF MARKET - SIX MAJOR MANUFACTURERS

	<u>1975</u>	<u>1980</u>	<u>1985</u>
RJR	37.6	35.0	38.0
PM	23.8	27.0	29.0
B & W	17.6	16.7	15.8
ATC	14.0	11.7	9.5
LO	7.7	6.8	6.1
L	4.1	2.7	1.6

- Only RJR and PM will increase SOM, each by about same number of share points.
- PM will grow faster in next five years - RJR faster from 1980 to 1985.
- In 1975 RJR and PM hold 56.4% market - in 1985 will increase to 67%.
- B & W will lose share. Less rapid growth of KOOL will not be enough to offset weakness of other B & W brands.

10-YEAR FORECAST OF SHARE - RJR BRANDS

<u>Total Brands</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
CAMEL	4.7	3.6	2.7
WINSTON	15.5	15.5	15.6
SALEM (includes Lights)	8.5	8.5	8.4
DORAL	1.0	1.0	1.0
VANTAGE	2.1	3.6	4.6
MORE	.8	1.5	2.0
Other New Brands	-	1.3	3.7
<u>Total</u>	<u>32.6</u>	<u>35.0</u>	<u>38.0</u>

Steady decline by CAMEL

- WINSTON, SALEM, and DORAL will hold about flat.
- VANTAGE will grow faster in the next five years than from 1980 to 1985.
- New brands other than MORE and spinoffs forecast to hold 3.7 share points in 1985. If figure should be higher, share of established brands would be reduced correspondingly.

RJR498272

10-YEAR FORECAST

SHARE OF EXISTING AND NEW BRANDS - RJR, PM, and B & W

	<u>1975</u>	<u>1980</u>	<u>1985</u>
<u>RJR</u>			
Brands Introduced Prior to 1975	31.8	31.7	31.6
MORE	.8	1.5	2.0
SALEM Lights	-	.5	.7
New Low Tar Brand	-	.7	2.0
New 100 mm Full Flavor	-	.6	1.7
Total RJR	<u>32.6</u>	<u>35.0</u>	<u>38.0</u>
<u>PM</u>			
Brands Introduced Prior to 1975	23.4	25.2	26.8
Saratoga	.4	1.3	1.5
New Low Tar Brand	-	.5	.7
Total PM	<u>23.8</u>	<u>27.0</u>	<u>29.0</u>
<u>B & W</u>			
Kool	11.2	12.0	12.5
Other B & W Brands	6.4	4.7	3.3
Total B & W	<u>17.6</u>	<u>16.7</u>	<u>15.8</u>

- PM's established brands will perform better than RJR's.

- RJR will have better success with new brands.

Brands introduced by RJR after 1974 will

account for 6.4 share points compared with 2.2

for PM.

- Kool expected to show modest growth, but not enough to offset weakness of other B & W brands.

RJR498273

75M00396

52189 5311

50245 7671

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10-YEAR FORECAST
MORE AND OTHER NEW P&G BRANDS - BY FLAVOR

	<u>1975</u>	<u>1980</u>	<u>1985</u>
MORE - Menthol Men.	.5	.9	1.2
MORE - Menthol	.3	.6	.8
	—	—	—
Total MORE	.8	1.5	2.0
Low Tar Brand- Non-Menthol	-	.4	1.2
Low Tar Brand- Menthol	-	.3	.8
	—	—	—
Total Low Tar Brand	-	.7	2.0
100 mm Full Flavor Non-Menthol	-	.4	1.1
100 mm Full Flavor Menthol	-	.2	.6
	—	—	—
Total 100 mm Brand	-	.6	1.7

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10-YEAR FORECAST

DOMESTIC TAX PAID SALES OF R BRANDS
(Billions of Cigarettes)

Total Brand	1975	1980	1985
CAMEL	27.6	24.0	20.0
WINST	91.0	103.4	115.5
SALEM	50.0	56.7	62.3
DORAL	5.9	6.7	7.5
WANTAGE	12.4	24.0	34.1
MORE	4.7	10.0	14.8
New Low Tar	-	4.7	14.8
New 100 mm	-	4.0	12.6
Total RJR	191.6	233.5	281.6

- All brands except CAMEL show a gain.
- Total tax paid up 47% in next 10 years compared with 26% for industry.
- Including tax-free, will need production capacity of about 300 billion cigarettes.

10-YEAR FORECAST

WINSTON AND MARLBORO - BY STYLES

	<u>1975</u>	<u>1980</u>	<u>1985</u>
WINSTON King	10.9	10.0	9.3
WINSTON Box	.6	.7	.8
WINSTON Lights	.7	1.2	1.7
WINSTON SK	3.0	3.3	3.5
WINSTON Men.	.3	.3	.3
Total WINSTON	15.5	15.5	15.6
Marlboro King	5.9	6.2	6.4
Marlboro Box	6.6	6.8	6.9
Marlboro F. 100's	1.5	1.8	2.0
Marlboro Box 100's	.5	.7	.9
Marlboro Lights	.9	1.4	1.8
Marlboro Men.	.3	.4	.5
Total Marlboro	15.7	17.3	18.5

- WINSTON King will decline in share; offset by growth of Box, Lights, and SK.
- Marlboro King and Box will gain at a slower rate than in the past. Growth of other styles helps the brand.

RJ0498276

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produced by RJRTC

MANAGIN

HUMPHREY

10-YEAR FORECAST

SALEM AND KOOL - BY STYLES

	<u>1975</u>	<u>1980</u>	<u>1985</u>
SALEM King	5.5	4.6	4.0
SALEM Box	.3	.4	.5
SALEM Lights	-	.5	.7
SALEM SK	2.7	3.0	3.2
Total SALEM	<u>8.5</u>	<u>8.5</u>	<u>8.4</u>
Kool Reg	.2	.1	-
Kool King	8.3	8.4	8.4
Kool Box	.3	.3	.3
Kool 100's	1.8	2.2	2.4
Kool Lights	.6	1.0	1.4
Total Kool	<u>11.2</u>	<u>12.0</u>	<u>12.5</u>

- Assumption is most or all of SALEM Lights' volume will come from SALEM King. Other SALEM styles show growth, about offsets weakness of King.
- Kool King will not show much growth. Most of brand's gains will be in 100's and Lights

10-YEAR FORECAST

CAMEL, DORAL, AND VANTAGE - BY STYLES

	<u>1975</u>	<u>1980</u>	<u>1985</u>
CAMEL	3.6	2.4	1.4
CAMEL Filter	1.1	1.2	1.3
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Total CAMEL	4.7	3.6	2.7
DORAL Filter	.6	.6	.6
DORAL Menthol	.4	.4	.4
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Total DORAL	1.0	1.0	1.0
VANTAGE Filter	1.8	2.9	3.6
VANTAGE Menthol	.3	.7	1.0
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Total VANTAGE	2.1	3.6	4.6

- Growth of CAMEL Filter not enough to offset decline of CAMEL Regular.
- Both styles of DORAL will hold about even.
- VANTAGE Filter will double share in 10 years - Menthol will triple.

10-YEAR FORECAST

SUM OF TOP EIGHT BRANDS

BASED ON SHARE IN 1975

<u>Total Brand</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
Marlboro	15.7	17.3	18.5
WINSTON	15.5	15.5	15.6
Kool	11.2	12.0	12.5
SALEM	8.5	8.5	8.4
	—	—	—
Total Top 4	50.9	53.3	55.0
Parliament	7.9	5.9	4.2
CAPE	4.7	3.6	2.7
Kent	4.3	3.3	2.7
B & H	3.8	4.2	4.5
	—	—	—
Total Top 8	71.6	70.3	69.1

- Top 4 brands will not change in ranking and their total share will increase.
- Current top 8 brands will continue to hold close to 70% of market.

MARKET FORECAST
 SOME OF TOP EIGHT BRANDS
BASED ON RANK IN 1985

<u>Total Brand</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
Marlboro	15.7	17.3	18.5
WINSTON	13.5	15.5	15.6
Kool	11.2	12.0	12.5
SAFARI	8.5	8.5	8.4
VANTAGE	2.1	3.6	4.6
B & H	3.0	4.2	4.5
Parliament	7.9	5.9	4.2
CAMEL*	4.7	3.6	2.7
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	69.4	70.6	71.0

* CAMEL tied with Kent in 1985 - ahead of Kent in prior years.

- VANTAGE will become fifth largest brand in 1985. B & H also will improve its ranking.
- Top 8 brands in 1985 will have slightly larger share than same brands as a group had in 1970.

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10-YEAR FORECAST

SHARE OF MARKET - BY CATEGORIES

10-YEAR FORECAST

SOM - TOTAL NON-FILTER AND FILTER -
ALSO NON-MENTHOL AND MENTHOL FILTER

	<u>1975</u>	<u>1980</u>	<u>1985</u>
Total Non-Filter	12.9	8.6	4.9
Total Filter	86.9	91.3	95.1
Total Non-Menthol Filter	59.1	60.0	60.9
Total Menthol Filter	27.8	31.3	34.2

- Switch from non-filter to filter will continue.
- Menthol filter will increase at much faster rate than non-menthol.

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10-YEAR FORECAST

PER SHARE OF TOTAL NON-FILTER

1975

27.9

1980

27.9

1985

28.5

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10-YEAR FORECAST

SHARE OF FILTER CIGARETTES

	<u>1973</u>	<u>1980</u>	<u>1985</u>
Non-Filter	32.5	36.0	39.9
Non-Filter	35.0	38.1	40.0
Total Filter	33.4	35.7	38.5

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10-YEAR FORECAST
SOM - FILTERED BY LENGTH

	<u>1975</u>	<u>1980</u>	<u>1985</u>
Total 85's	61.7	62.2	63.1
Total 100's	23.9	26.3	28.5
Total 120's	<u>1.3</u>	<u>2.9</u>	<u>3.5</u>
Total 100's-120's	25.2	29.1	32.0

All filter length categories will grow, but faster growth is in the longer lengths. The small gains in total 85's results solely from good increase by hi-fi 85's.

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10-YEAR FORECAST

SOM - FILTERS BY FLAVOR LEVEL

	<u>1975</u>	<u>1980</u>	<u>1985</u>
Total Full Flavor	64.1	64.2	64.9
Total Middle Flavor	12.1	11.2	9.8
Total Hi-Fi	10.7	15.9	20.4

- Full Flavor will at least maintain current shares aided by MORE and new RJR 100 mm brand.
- Middle Flavor category will decline.
- Hi-Fi's are fastest growing flavor category - will almost double share by 1985.

10-YEAR TRENDS

SCM - FULL FLAVOR NON-MENTHOL AND MENTHOL - BY CIGARETTE

	<u>1975</u>	<u>1980</u>	<u>1 85</u>
<u>Non-Menthol</u>			
85's	20.5	26.2	26.4
100's	10.7	11.7	12.9
120's	.6	.9	1.2
Total	41.8	40.8	40.4
<u>Menthol</u>			
85's	15.3	15.0	14.7
100's	6.7	7.8	9.0
120's	.3	.6	.8
Total	22.3	23.4	24.5
Total Full Flavor	64.1	64.2	64.9

Total non-menthol full flavor will decline.

Strength in 100's - 120's not enough to offset weakness of 85's.

- Growth of full flavor menthols greater than decline of non-menthols, resulting in small growth for total category. However, menthol 85's will slip, more than offset by gains of 100's and 120's.

10-YEAR FORECAST

SOM - MIDDLE FLAVOR NON-MENTHOL AND MENTHOL - BY LENGTH

	<u>1975</u>	<u>1980</u>	<u>1985</u>
<u>Non-Menthol</u>			
85's	5.2	3.7	2.5
100's	3.9	3.6	3.2
120's	<u>.2</u>	<u>.8</u>	<u>.9</u>
Total	9.3	8.1	6.6
<u>Menthol</u>			
85's	1.0	.8	.6
100's	1.6	1.8	2.0
120's	<u>.2</u>	<u>.5</u>	<u>.6</u>
Total	2.8	3.1	3.2
Total Middle Flavor	12.1	11.2	9.8

• Non-menthol middle flavor shows weak trend; only 120 mm's show a gain.

• Menthol middle flavor will have modest increase (all in longer lengths) but not enough to offset weakness of non-menthols.

10-YEAR FORECAST

SOM - HI-FI NON-MENTHOL AND MENTHOL - BY LENGTH

	<u>1975</u>	<u>1980</u>	<u>1985</u>
<u>Non-Menthol</u>			
85's	7.2	10.0	12.7
100's	.8	1.1	1.2
120's	-	-	-
Total	8.0	11.1	13.9
<u>Menthol</u>			
85's	2.5	4.5	6.2
100's	.2	.3	.3
120's	-	-	-
Total	2.7	4.8	6.5
Total Hi-Fi	10.7	15.9	20.4

- Both non-menthols and menthols will show good growth in 85's and 100's. No 120 mm brand is forecast.

10-YEAR FORECAST

BOX CATEGORY

	<u>1975</u>	<u>1980</u>	<u>1985</u>
Total Box	9.7	11.2	12.1
Marlboro Reds	6.6	6.8	6.9
Marlboro Lights	.3	.7	.9
Parliament	.5	.4	.4
Santoga 120's	<u>.4</u>	<u>1.2</u>	<u>1.5</u>
Total 3 PM Brands	8.0	9.1	9.7
Percentage held by PM	82	81	80

Box market will grow, but unless some other companies introduce successful new brands, P. M. will continue to dominate this market.

10-YEAR FORECAST

RJR SHARE OF 85'S NON-MENTHOL NORMAL CATEGORY

CAMEL Filter

WINSTON King Box

Total

<u>1975</u>	<u>1980</u>	<u>1985</u>
3.6	4.3	4.9
27.7	27.9	28.3
<u> </u>	<u> </u>	<u> </u>
41.3	42.2	43.2

52189 5329

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10-YEAR FORECAST

EST. SHARE OF 100-120 NON-MENTHOL NORMAL CATEGORY

	<u>1975</u>	<u>1980</u>	<u>1985</u>
WINSTON Super King	26.5	26.2	25.0
MORE	4.4	7.1	8.0
New Brands	-	3.2	7.9
<u>Total</u>	<u>30.9</u>	<u>36.5</u>	<u>41.5</u>

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WINSTON Lights

DORAL

VANTAGE

New Beards

Total

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10-YEAR FORECAST

PER SHARE OF 85% HI-FI 100% MENTHOL CATEGORY

	<u>1975</u>	<u>1980</u>	<u>1985</u>
WINSTON Lights	9.7	12.0	13.4
DORAL	8.3	6.0	4.7
VANTAGE	25.0	29.0	28.3
New Beards	-	4.0	9.4
Total	<u>43.0</u>	<u>51.0</u>	<u>55.8</u>

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10-YEAR FORECAST

FOR SHARE OF 80'S MENTHOL NORMAL CATEGORY

SALEM KING/B&W

1975

27.9

1980

33.3

1985

30.6

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10-YEAR FORECAST

RJR SHARE OF 100-125 MENTHOL CIGARETTE CATEGORY

	<u>1975</u>	<u>1980</u>	<u>1985</u>
SLIM Super King	38.6	35.7	32.7
WINSTON Menthol	4.3	5.6	7.1
MORE	4.3	7.1	8.2
New Brands	-	2.4	6.1
Total	<u>47.2</u>	<u>46.8</u>	<u>50.1</u>

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10-YEAR FORECAST

RJR SHARE OF HI-FI 25'S MENTHOL CATEGORY

	<u>1973</u>	<u>1980</u>	<u>1985</u>
SALEM Lights	-	11.1	11.2
DORAL	16.0	8.9	6.5
VANTAGE	12.0	15.5	16.1
New Brands	-	0.7	12.9
Total	<u>28.0</u>	<u>42.2</u>	<u>46.8</u>

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10-YEAR FORECAST

SHARE OF SMOKERS -

CATEGORIES BY SEX

10-YEAR FORECAST

SHARE OF SMOKERS - BY SEX

NON-FILTER, FILTER, NON-MENTHOL, AND MENTHOL

	1975		1985		1985	
	Men	Women	Men	Women	Men	Women
Non-Filter	18.6	6.2	13.2	3.4	7.5	1.7
Filter	81.4	93.8	86.6	96.6	92.5	98.3
Non-Menthol	59.8	60.5	62.9	59.8	60.9	58.5
Menthol Filter	21.9	33.2	23.9	36.8	25.6	39.8

• Trending to Filter Cigarettes - both sexes.

- Non-menthol filters will gain share among men but slip a little among women.
- Menthols will continue to increase share among both sexes, and will continue to be more popular with women than with men.

10-YEAR FORECAST
ESTIMATED SHARE OF SMOCKETS -
BY FLAVOR AND SEX

	1975		1980		1985	
	Men	Women	Men	Women	Men	Women
Total Full Flavor	60.1	56.1	62.8	54.8	66.2	53.8
Total Middle Flavor	10.6	21.9	7.7	18.5	5.5	15.5
Total High	10.1	15.8	16.3	23.3	20.6	29.0

10-YEAR FORECAST

ESTIMATED SHARE OF SMOKERS - NON-MENTHOL FILTER CIGARETTES BY FLAVOR LEVEL AND SEX

	1975		1980		1981	
	Men	Women	Men	Women	Men	Women
Full Flavor	42.7	33.7	44.0	31.0	46.2	29.0
Middle Flavor	8.1	15.4	6.0	12.0	4.0	9.0
Hi-Fi	8.1	11.4	12.9	16.8	16.7	20.5

- Full Flavor non-menthol will increase among men, but slip among women.
- Middle-Flavor non-menthol will decline sharply among both sexes.
- Hi-Fi non-menthol will about double share of smokers in next decade - both sexes.

10-YEAR FORECAST
ESTIMATED SHARE OF SMOKERS -
MENTHOL FILTER CIGARETTES
BY FLAVOR LEVEL AND SEX

	1975		1980		1985	
	Men	Women	Men	Women	Men	Women
Full Flavor	17.6	22.4	15.8	23.8	20.0	24.8
Middle Flavor	1.1	6.5	1.7	6.5	1.5	6.5
Hi-Fi	2.1	4.4	3.4	6.5	4.1	8.5

- Full Flavor and Hi-Fi Menthols will gain among both sexes.
- Middle Flavor Menthols will slip among men, and hold about even among women.

10-YEAR FORECAST

SHARE OF SMOKERS - NON-MENTHOL AND MENTHOL FILTER BY LENGTH AND SEX

	1975		1980		1985	
	Men	Women	Men	Women	Men	Women
85 mm						
Non-menthol	47.8	36.8	42.1	33.8	46.8	30.5
Menthol	15.9	17.3	16.0	17.8	16.0	17.8
Total	63.7	54.1	64.1	51.6	64.8	48.3
100 -- 110 mm						
Non-menthol	11.8	23.8	14.7	26.0	17.7	28.0
Menthol	5.9	15.9	6.0	19.0	10.0	22.0
Total	17.7	39.7	22.7	45.0	27.7	50.0

- Among men, 85 mm will hold about even or gain slightly, both non-menthol and menthol. Among women, non-menthol 85's will decline sharply, but menthol 85's will show small gain.
- Long cigarettes will show good growth among both sexes, and for both non-menthols and menthols.

CIGARETTE PREFERENCES - BY AGE

- As of 1975, the skew of smokers of non-filter cigarettes is strongly toward older age groups. This will become even more pronounced in the next decade.
- For full flavor filter cigarettes, both non-menthol and menthol, the skew in 1975 for both sexes is toward the younger age groups, particularly smokers under 25 years of age. For middle flavor and hi-fi cigarettes, the skew is toward middle age and older smokers.
- A good five and ten-year forecast of filter smokers' preferences as to flavor level, by age groups, is impossible for several reasons (the flakiness of historical trend data, the difficulty of accurately forecasting the timing and extent of the trend to lower number cigarettes, and lack of knowledge about what advertising strategy key brands will follow). However, an educated guess is that the skews that exist in 1975 will continue but be less pronounced -- full flavor cigarettes will be relatively less popular with young smokers and hi-fi cigarettes will have relatively greater appeal.